

CITY OF ESCANABA, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2006

Prepared by:
Office of the Controller

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Escanaba	County Delta
Fiscal Year End June 30, 2006	Opinion Date October 9, 2006	Date Audit Report Submitted to State December 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☐ ☒ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

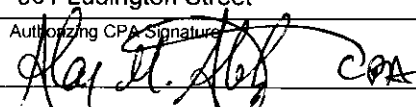
We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-786-3111	
Street Address 901 Ludington Street		City Escanaba	State MI
Authorizing CPA Signature 		Printed Name Alan M. Stotz, CPA	Zip 49829
		License Number 1599539	

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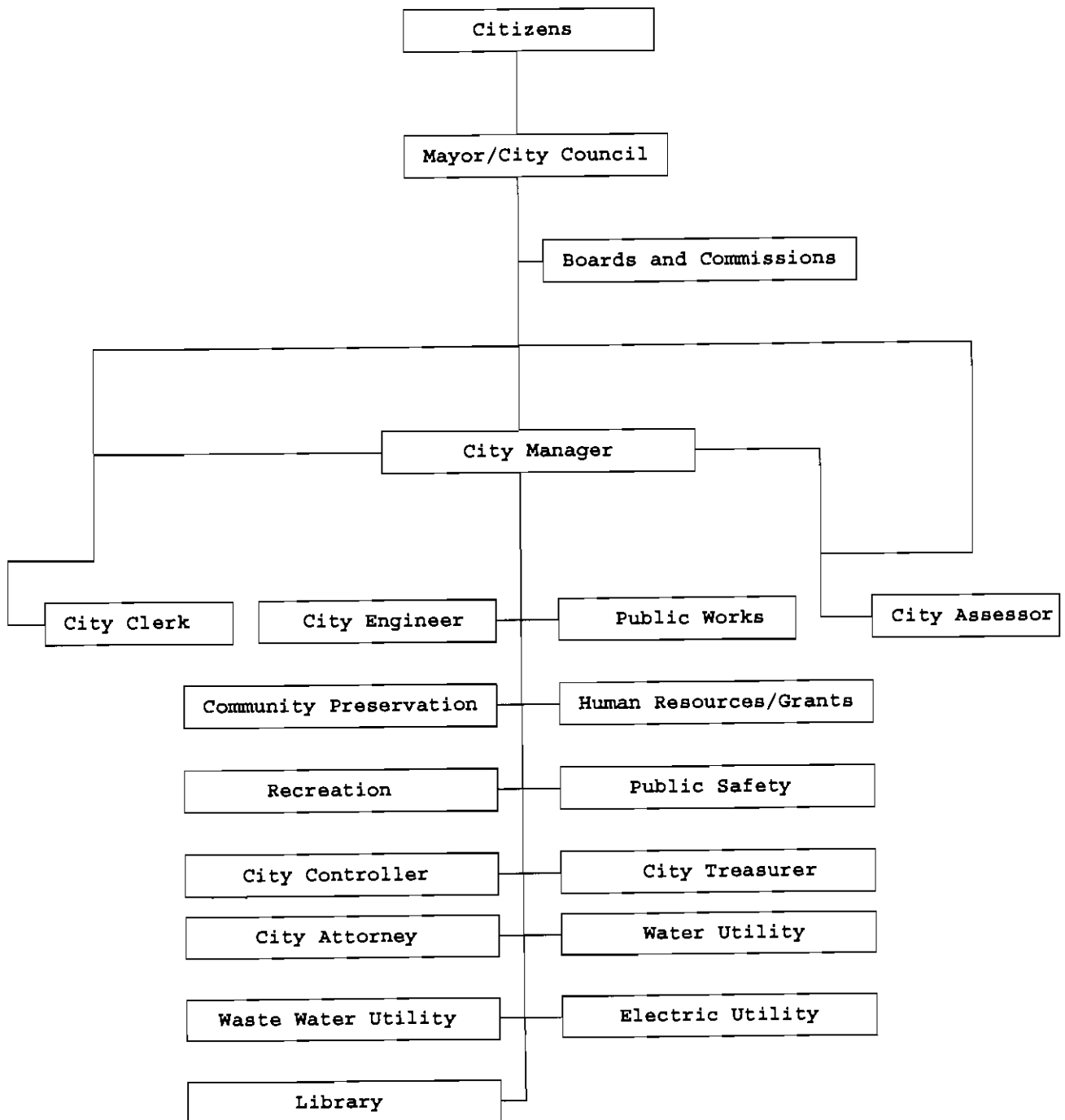
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INTRODUCTORY SECTION

The City of Escanaba, Michigan
Organization Chart



CITY COUNCIL
() Expiration of Term

Mayor
Judith Schwalbach (2007)

Members of the City Council
David J. Moyle - Mayor Pro-Tem (2007)
Leo J. Evans (2009)
Wayne E. Heikkila (2009)
Thomas P. Warstler (2007)

ADMINISTRATION

Interim City Manager
James V. O'Toole

Clerk
Robert S. Richards, CMC

Public Safety Director
Jim Hansen

Assessor
Elizabeth H. Keller

Engineer/
Supt. of Public Works
William S. Farrell

City Treasurer/Human
Resources Director
Robert J. Valentine

Controller
Michael D. Dewar, CPA

Community Preservation
James V. O'Toole

Recreation Director
Thomas J. Penegor

Interim
Supt. of Electric Dept.
Michael Furmanski

Library Director
Carolyn Stacey

Supt. of Waste Water
and Water Departments
Donald French

Attorney
Ralph B. K. Peterson



December 18, 2006

Honorable Mayor, Members of the City Council and City Manager
City of Escanaba, Michigan

The Comprehensive Annual Financial Report (CAFR) of the City of Escanaba, for the fiscal year ended June 30, 2006, is submitted herewith. This report was prepared by the City Controller's office. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

This document represents the fourth year of reporting under the Governmental Accounting Standards Board Statement No. 34 (GASB 34) model. While GASB has no direct authority over the City's financial reporting practices, in order for the auditors to provide the City with an unqualified opinion, we are required to comply with the provisions of GASB 34.

GASB 34 impacts the reporting of the City's operations, but does not change the way in which the City's accounting system functions. Simply put, we account for operations as we always have, using the various funds that have been established over the years. When reporting on our operations, however, we are required to make adjustments which result in financial statements which are considerably different than in the past. Schedules detailing this adjustment from historical reporting to GASB 34 reporting can be found on pages 18 and 20.

GASB 34 has been referred to as the "most significant change in the history of governmental financial reporting". Some of the highlights of the changes required under GASB 34 include:

Reporting information on a "government-wide" basis rather than on a "funds type" basis, as in the past. Unlike private sector accounting, where financial reporting covers all operations of an entity, governmental accounting has traditionally focused on individual funds. This treatment was based on the fact that there were usually legal requirements which dictated the permissible uses of the various revenue sources; fund accounting allowed for this segregation. Moving to a "government-wide" reporting format is designed to create an overall financial picture, which was often difficult to do under the "funds type" approach.

Changing the manner by which the financial information is aggregated and reported. While GASB 34 still has certain “funds type” reporting requirements, the reporting process now requires a determination of which funds are defined as *major* individual funds. Once this determination is made, reporting requirements differ between major and non-major funds. This change is designed to provide greater focus on the most critical governmental operations.

Changing the determination of operating results for governmental funds from a focus on *spendable resources* (cash in and cash out) to *total resources*. Theoretically, this means that all activities reported in the government-wide financial statements will be reported in a manner similar to private sector accounting. The impact of this change is manifested in a number of areas, including infrastructure reporting and depreciation, debt service reporting and changes in accrual treatments.

The objectives of GASB 34 are varied; proponents believe that the treatment will help assess the City's *overall* financial condition, identify whether the current year's revenues were sufficient to pay for current year's services and illustrate the extent to which the City invested in capital assets. While no single reporting model will adequately respond to all of the varied objectives that financial reporting hopes to address, it would appear that the new reporting model represents an improvement in some areas and a failure in others.

The single greatest deficiency in historical governmental accounting was its failure to recognize the difference between operating expenses and capital expenditures. Clearly, an entity which is putting a significant amount of its resources into infrastructure should be better positioned for the future than an entity which is spending 100% of its resources on operations. Governmental accounting failed to make this differentiation, while the new model takes a step in this direction. Similarly, by recognizing depreciation on those assets, it illustrates that there are costs in running a city beyond the cash that is being expended.

Additionally, by instituting a full accrual position for expenses, the new model accounts for future obligations which could impact financial health for a number of years. Finally, the model provides information on the total costs to run the City, something that was difficult to create under the former reporting model.

On the negative side, the infrastructure reporting is, by definition, incomplete. The City's information was developed based on records from 1980 forward. Because many of the City's assets have been in place for a significantly longer period, they are ignored by this process. As time goes on, the infrastructure reporting will become more meaningful.

Additionally, the reporting format's emphasis on “government-wide” analysis suffers from the very diverse nature of City operations. For instance, if the City had one extremely “profitable” function, but all other functions were having difficulties, the new reporting model could net out to show that we were in good condition financially. This means little, however, if one of the struggling operations has no avenues available to it to reverse the negative trend.

With the submission of this Comprehensive Annual Financial Report, the City has met the requirements as set forth in GASB 34. While the "government-wide" reporting requirements of GASB 34 provides information that was never available in the past, analysis of this information as it relates to individual funds is nearly impossible. For this reason, we have also provided additional information which GASB 34 does not require, including detailed "funds type" reporting of all of the City's governmental funds. This means that readers can use either or both of the reporting models - traditional and GASB 34 - to obtain the information they require and to best determine the financial results of the City's operations.

The notes which are provided in the financial section are considered essential to fair presentation and adequate disclosure for this financial report. The notes include Note 1 - "Summary of Significant Accounting Policies" for the City, beginning on page 25, and other necessary disclosure of important matters relating to the financial position of the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

Acknowledgments

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Controller's Office. I would like to express my appreciation to the members of the staff who assisted and contributed to its preparation: Debbie Jussila and Melissa Becotte.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Michael Dewar".

Michael Dewar, C.P.A.
City Controller

FINANCIAL SECTION



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the
City Council and City Manager
City of Escanaba, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Escanaba, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escanaba, Michigan, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2006, on our consideration of the City of Escanaba's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

Honorable Mayor, Members of the
City Council and City Manager
City of Escanaba, Michigan

an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 10 through 14 and 61 through 75, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Escanaba, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson, Tushman & Company P.L.C.
Certified Public Accountants

October 9, 2006



Management Discussion and Analysis

The City of Escanaba's Comprehensive Annual Financial Report (CAFR) consists of a variety of reporting information, some of which is required and some of which is provided as supplementary information. Both types of information are included in an effort to assist a reader in understanding the City's financial position. This section, the Management Discussion and Analysis (MD&A), is a required component of the CAFR and is also provided to assist readers in understanding and interpreting the City's CAFR.

CAFR reporting requirements include two distinct types of governmental financial reporting – “funds-type” financial statements and “government-wide” financial statements. “Funds-type” financial statements mirror the traditional reporting methodology, while “government-wide” financial statements represent financial reporting of all City activities utilizing a common reporting format. While the differences into the two reporting models are numerous, the purpose of the “government-wide” financial statements is to consolidate the City's numerous funds into one total entity and to use accounting treatment similar to that used in the private sector. As such, it treats capital expenditures as investments, rather than expenses, and depreciates those investments over their anticipated lives. More information regarding the reporting differences between the two approaches can be found in Notes 1(b) through 1(g) in the Notes to Financial Statements.

The introduction of “government-wide” reporting is required under Governmental Accounting Standards Board Statement No. 34 (GASB 34). All of the contents of this document through page 82 are required under GASB 34; information following that point is considered supplementary information.

The reporting methodology of the City's CAFR is based upon the concept of a pyramid; the top of the pyramid is represented on pages 15 and 16 – the Statement of Net Assets and the Statement of Activities. These schedules combine all City operations and adjust their reporting format into a common methodology. The base of the pyramid is the individual fund information, which can be found from page 60 (Required Supplemental Information) on. Because an understanding of the reporting hierarchy will assist the reader in understanding the financial results of the City's operations, the following information will review the individual government statements in an order which provides a transition from “fund s-type” reporting to “government -wide” reporting.

Governmental Funds Balance Sheet

This document, found on page 17, summarizes the assets and liabilities for all funds which are accounted for under the traditional governmental form of accounting, as of June 30, 2006. Under this format, no recognition is made for infrastructure assets and no distinction is made between operating expenditures and capital expenditures. Each fund carries a fund balance, which represents a total of available spendable resources for future activities. Detail information in this statement can be traced to the individual funds found later in the CAFR, as those funds are also presented under the traditional

governmental accounting format. This statement becomes the basis for transitioning to “government - wide” financial statement presentation.

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

This document, which can be found on page 18, illustrates the process of converting the Governmental Funds Balance Sheet to the corresponding amounts used in the “government -wide” Statement of Net Assets (page 15). Essentially, the process recognizes the capital assets, the corresponding depreciation and the long-term borrowing which have been created by governmental funds over the years. To put it in another way, rather than treating capital expenditures as another operating expense, it treats these expenditures as an asset which will be utilized into future years.

It can be noted that the total net assets calculated on this schedule – over \$35 million - is the same figure which is used on the previously referenced Statement of Net Assets.

Governmental Funds Revenues, Expenditures and Changes in Fund Balances

This document, found on page 19, summarizes the financial activities for all funds which are accounted for under the traditional governmental form of accounting, for the year ended June 30, 2006. As discussed previously, uses of available resources are treated as expenditures, regardless of the character of the expenditure. Detailed information in this statement can be traced to the individual funds found later in the CAFR, as those funds are also presented under the traditional governmental accounting format.

During the year, the City saw an increase in the combined fund balances of these funds of over \$244,000. If the loss on sale of investments – which is discussed in Notes to Financial Statements 1(L) – is removed from this calculation, as it neither increases or decreases available spendable resources, the increase in fund balance rises to over \$455,000. All three “major” governmental funds – the General Fund and the two street funds – saw an increase in fund balance, as did the majority of “non - major” governmental funds. While there were many factors which impacted the final results, a city-wide reorganization effort – which resulted in a number of early retirements where the openings were not filled – had the largest impact.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

This document, which can be found on page 20, illustrates the process of converting the traditional statement of revenues, expenditures and increases(decreases) in fund balance (page 19) to the corresponding amounts used in the “government -wide” Statement of Activities (page 16). Essentially, the process eliminates expenditures which create capital assets and reduce long-term debt and recognizes depreciation expense and various transactions on a modified accrual basis. With this conversion, the City’s traditional fund basis accounting system is transformed into financial statements which would mirror private sector accounting treatment. It can be noted that once this conversion process is completed, there is still a positive result in overall operations of \$208,000. This figure compares favorably to last year’s converted results of (\$151,000).

The remaining documents which are required under GASB 34 (pages 21-24) represent our enterprise and internal service funds. Because these funds have always been accounted for in a manner which mirrors private sector accounting, there is no need to "convert" this information, as was required with the governmental funds, prior to their inclusion in the "government-wide" financial statements reflected on pages 15 and 16. Detailed information in these remaining statements can be traced to the individual funds found later in the CAFR.

Statement of Net Assets

As discussed previously, this document (page 15) summarizes the financial position of all City operations, modified as required, in a private sector format, as of June 30, 2006. Below is a summarized comparison of this year's statement to last year's:

Assets	<u>Y/E 6/30/2006</u>	<u>Y/E 6/30/2005</u>	<u>Yr. to Yr. Change</u>
Current Assets			
Cash/Investments	\$33,897,516	\$37,728,849	(\$3,831,333)
Receivables	5,332,665	5,745,354	(412,689)
Other Assets	3,178,693	2,461,518	717,175
Noncurrent Assets			
Restricted Assets	349,148	345,328	3,820
Capital Assets	93,676,945	92,413,696	1,263,249
Accumulated Depreciation	<u>(43,841,700)</u>	<u>(41,480,441)</u>	<u>(2,361,259)</u>
TOTAL ASSETS	<u>\$92,593,267</u>	<u>\$97,214,304</u>	<u>(\$4,621,037)</u>
Liabilities			
Current Liabilities	\$3,030,109	\$5,009,652	(\$1,979,543)
Noncurrent Liabilities	<u>7,864,947</u>	<u>8,282,192</u>	<u>(417,245)</u>
TOTAL LIABILITIES	<u>\$10,895,056</u>	<u>\$13,291,844</u>	<u>(\$2,396,788)</u>
NET ASSETS	<u>\$81,698,211</u>	<u>\$83,922,460</u>	<u>(\$2,224,249)</u>

As noted previously, governmental activities ended the fiscal year on a positive balance; business-type activities, however, saw a significant decrease in net assets. This is primarily attributable to the Electric Utility Fund, which saw an operating loss of \$2.4 million for the year. This result was not unanticipated (a loss of \$2.5 million was budgeted), as a major coal price increase required rate increases in excess of what the City felt was manageable for our customers. Accordingly, the increases were phased in over two years, knowing that the first year would result in a significant operating loss.

It can be noted that cash and investments decreased by over \$3.8 million when compared to the prior year, with an increase of over \$900,000 in the governmental activities and a decrease of over \$4.7 million in the business-type activities. The increase in other assets is based primarily on higher coal inventories in the Electric Fund.

Capital assets increased by nearly \$1.3 million, with governmental activities accounting for nearly \$667,000 of this increase. After netting out depreciation expenses, net capital assets showed an overall decrease.

Current liabilities showed a large decrease, reflecting year-end coal shipments and the settlement of the dispute on the combustion turbine generator at the electric plant on last year's balance sheet .

The net effect of these various changes is that the City showed an overall decrease in net assets of over \$2.2 million. Overall, governmental activities increased by over \$208,000, while business-type activities showed a decrease of over \$2.4 million. The business-type asset decrease mirrors the operating loss incurred in the Electric Utility Fund.

It should be noted that this statement includes the Escanaba Housing Commission (Harbor Towers) as a component unit; this is required under accounting convention. Other than the ability to appoint board members, however, the City exercises no control over the day to day operations of this entity, nor do we have any financial commitment.

Statement of Activities

As discussed previously, this document (page 16) summarizes the revenues and expenses for all City operations, modified as required in a private sector format, for the year ended June 30, 2006. As discussed in the Statement of Net Assets, the results of this document show a decrease in net City assets of over \$2.2 million.

This document segments revenues into various categories and further distinguishes between direct revenues (attributable to specific functions) and general revenues, such as taxes and State shared revenues. The result, reflected in the Total column, represents the net cost of the various activities.

Total governmental activities expenses, modified under the private sector reporting format, were \$9.3 million for the year, a decrease of \$336,000 (3.5%) from the prior year. This reflected, in part, the city-wide reorganization effort which took place during the fiscal year. Total expenses for business-type activities increased by over \$2.0 million; the majority of the increase occurred in the Electric Fund.

Total *net* governmental activities expense, which represents the cost of activities after deducting revenues directly attributable to those activities, were nearly \$6.7 million. This was very close to last year's figure .

General revenues, those which are not tied to a specific program or activity, saw several changes in the year ended 6/30/06. State shared revenues once again decreased, reflecting the difficulties that the State has faced over the last several years. The net year to year decrease was \$19,000, but when combined with the fact that the City would historically receive an increase, it means the overall budgetary impact was much greater. Investment earnings decreased by nearly \$420,000, a reflection of a higher unrealized loss on investments, resulting from higher interest rates.

Overall, general revenues increased by \$123,000 from the prior year. Revenues attributable to governmental activities increased over the prior year by \$324,000, while business-type revenues decreased by \$201,000.

Long-Term Debt

There were no significant debt events in fiscal year 2005-2006; plans call for the issuance of nearly \$3.0 million in bonds in fiscal year 2006-07 in order to implement major improvements at the City's water treatment plant.

Subsequent Events

There were no material events which occurred between the end of fiscal year 6/30/06 and the date of this report. In general, the City continues to feel the impact of the overall economic slowdown which is affecting the State. As discussed previously, fiscal year 2005-2006 saw the impact of an early retirement program; the financial impact was quite positive. Although the impact will be felt for many years into the future, the City will still need to confront the issue of flat or declining revenues in some sectors, while our costs continue to increase. The City continues to review all aspects of its operations on an ongoing basis, but to date, all funds continue to operate above the levels required by State law.

Additional Information

The City's CAFR is designed to provide both an overall and detailed analysis of the City's operations. Any questions regarding this information or requests for additional information can be directed to my attention at City Controller, 410 Ludington Street, P.O. Box 948, Escanaba, MI 49829 or by calling (906) 789-7300.

Respectfully submitted,



Michael Dewar, C.P.A.
City Controller

CITY OF ESCANABA, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Escanaba Housing Commission
ASSETS:				
Current assets:				
Cash and equivalents	\$ 148,812	\$ 59,998	\$ 208,810	\$ 60,573
Investments, at market	13,761,612	19,927,094	33,688,706	375,489
Receivables:				
Accounts	207,388	2,000,593	2,207,981	9
Mortgages, land contracts and other notes	1,866,519	-	1,866,519	-
Contracts for rental property	4,846	-	4,846	-
Special assessments	35,442	-	35,442	-
Accrued interest	136,771	200,838	337,609	-
Due from other funds	11,538	11,538	23,076	-
Due from other governments:				
State of Michigan	511,367	-	511,367	-
Local units	9,825	-	9,825	-
Advances to other funds	336,000	-	336,000	-
Real estate held for resale	8,200	-	8,200	-
Chemical inventory	-	10,343	10,343	-
Inventory	53,023	2,721,519	2,774,542	2,589
Prepaid expenses	194,604	191,004	385,608	18,902
Total current assets	17,285,947	25,122,927	42,408,874	457,562
Noncurrent assets:				
Restricted assets:				
Investments, at market	-	349,148	349,148	-
Capital assets	37,568,691	56,108,254	93,676,945	6,917,511
Accumulated depreciation	(13,243,879)	(30,597,821)	(43,841,700)	(4,343,066)
Net noncurrent assets	24,324,812	25,859,581	50,184,393	2,574,445
TOTAL ASSETS	\$ 41,610,759	\$ 50,982,508	\$ 92,593,267	\$ 3,032,007
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 290,596	\$ 459,201	\$ 749,797	\$ 24,414
Accrued liabilities	-	-	-	75,945
Accrued interest	48,763	22,822	71,585	-
Claims payable	363,874	-	363,874	-
Accrued salaries and fringes	298,769	248,571	547,340	-
Customer deposits	-	170,359	170,359	-
Due to other funds	11,538	11,538	23,076	-
Due to other governments	50,840	-	50,840	-
Advances from other funds	-	336,000	336,000	-
Deferred revenue	16,607	-	16,607	-
Compensated absences, current portion	244,881	-	244,881	-
Notes payable, current portion	23,750	-	23,750	-
Bonds payable, current portion	202,000	230,000	432,000	-
Total current liabilities	1,551,618	1,478,491	3,030,109	100,359
Noncurrent liabilities:				
Noncurrent liabilities	-	-	-	15,988
Compensated absences	353,694	-	353,694	-
Note payable	166,253	-	166,253	-
Bonds payable	3,730,000	3,615,000	7,345,000	-
Total noncurrent liabilities	4,249,947	3,615,000	7,864,947	15,988
TOTAL LIABILITIES	\$ 5,801,565	\$ 5,093,491	\$ 10,895,056	\$ 116,347
NET ASSETS:				
Invested in capital assets, net of related debt	\$ 20,764,812	\$ 21,317,141	\$ 42,081,953	\$ 2,574,445
Restricted for:				
Capital projects	1,105,171	-	1,105,171	-
Debt service	-	349,148	349,148	-
Other purposes	2,151,754	-	2,151,754	-
Unrestricted	11,787,457	24,222,728	36,010,185	341,215
TOTAL NET ASSETS	\$ 35,809,194	\$ 45,889,017	\$ 81,698,211	\$ 2,915,660

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

Functions/Programs:	Net (Expense) Revenue and Changes in Net Assets							Component Unit
	Expenses	Program Revenues			Primary Government			
		Fees, Fines & charges for services	Operating grants and contri- butions	Capital grants and contri- butions	Govern- mental activities	Business- type activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 1,140,953	\$ 111,433	\$ -	\$ -	\$(1,029,520)	-	\$(1,029,520)	-
Public safety	3,930,214	600,328	189,644	13,571	(3,126,671)	-	(3,126,671)	-
Highways, streets and public works	1,860,346	60,089	1,036,327	-	(763,930)	-	(763,930)	-
Sanitation	800,008	196,717	-	-	(603,291)	-	(603,291)	-
Community services	67,440	-	-	-	(67,440)	-	(67,440)	-
Recreation	660,752	71,108	-	6,836	(582,808)	-	(582,808)	-
Cultural	471,747	20,879	248,556	37,923	(164,389)	-	(164,389)	-
Urban redevelopment and housing	3,761	20,860	-	-	17,099	-	17,099	-
Economic development	192,891	-	-	-	(192,891)	-	(192,891)	-
Capital projects	-	-	-	-	-	-	-	-
Other functions	10,694	-	-	-	(10,694)	-	(10,694)	-
Interest on long-term debt	146,619	-	-	-	(146,619)	-	(146,619)	-
Total governmental activities	9,285,425	1,081,414	1,474,527	58,330	(6,671,154)	-	(6,671,154)	-
Business-type activities:								
Electric utility	16,389,360	13,904,998	-	64,636	-	(2,419,726)	(2,419,726)	-
Water utility	1,477,878	1,426,066	-	-	-	(51,812)	(51,812)	-
Waste water utility	1,174,284	1,098,293	-	-	-	(75,991)	(75,991)	-
Marina activity	292,067	235,283	-	-	-	(56,784)	(56,784)	-
Total business-type activities	19,333,589	16,664,640	-	64,636	-	(2,604,313)	(2,604,313)	-
Total primary government	\$28,619,014	\$17,746,054	\$ 1,474,527	\$ 122,966	(6,671,154)	(2,604,313)	(9,275,467)	-
Component Unit:								
Escanaba Housing Commission	\$ 883,693	\$ 432,701	\$ 142,088	\$ 391,525	-	-	-	82,621
General revenues:								
Property taxes					4,224,873	-	4,224,873	-
State revenue sharing					1,518,669	-	1,518,669	-
Unrestricted grants and contributions					22,353	-	22,353	-
Unrestricted gain (loss) on sale of assets					(2,207)	-	(2,207)	-
Unrestricted investment earnings (losses)					(76,371)	610,077	533,706	12,712
Miscellaneous					740,024	13,800	753,824	48,899
Transfers					452,086	(452,086)	-	-
Total general revenues and transfers					6,879,427	171,791	7,051,218	61,611
Changes in net assets					208,273	(2,432,522)	(2,224,249)	144,232
Net assets, beginning of year					35,600,921	48,321,539	83,922,460	2,771,428
Net assets, end of year					\$35,809,194	\$45,889,017	\$81,698,211	\$ 2,915,660

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2006

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS:					
Cash and equivalents	\$ 8,647	\$ -	\$ -	\$ 108,790	\$ 117,437
Investments, at market	4,014,608	559,991	305,303	5,802,601	10,682,503
Receivables:					
Accounts, net of bad debt allowance	176,310	-	-	31,078	207,388
Mortgages, land contracts and other notes	-	-	-	1,866,519	1,866,519
Contracts for rental property	4,846	-	-	-	4,846
Special assessments	25,771	-	9,671	-	35,442
Accrued interest	44,109	5,169	2,445	56,661	108,384
Due from other funds:					
Grants Fund	106,910	-	-	-	106,910
Sanitary Landfill Fund	10,408	-	-	-	10,408
Waste Water Fund	-	-	11,538	-	11,538
Local Street Fund	-	-	-	11,538	11,538
Due from other governments:					
State of Michigan	226,811	115,249	43,117	126,190	511,367
Local units	-	-	-	9,825	9,825
Advances to other funds	-	-	-	336,000	336,000
Real estate held for resale	-	-	-	8,200	8,200
Inventory	53,023	-	-	-	53,023
Prepaid expenses	12	-	-	-	12
TOTAL ASSETS	\$ 4,671,455	\$ 680,409	\$ 372,074	\$ 8,357,402	\$ 14,081,340
LIABILITIES:					
Accounts payable	\$ 171,364	\$ 4,010	\$ 3,528	\$ 30,134	\$ 209,036
Accrued salaries and fringes	275,412	-	-	-	275,412
Due to other funds	-	-	11,538	129,072	140,610
Due to other governments	50,840	-	-	-	50,840
Deferred revenue	47,572	-	9,671	59,149	116,392
TOTAL LIABILITIES	545,188	4,010	24,737	218,355	792,290
FUND BALANCES:					
Reserved for:					
Inventory	53,023	-	-	-	53,023
Prepaid expenditures	12	-	-	-	12
Principal	-	-	-	989,349	989,349
Capital improvements	-	-	-	115,822	115,822
Long-term notes receivable	-	-	-	1,866,519	1,866,519
Revolving loans	-	-	-	1,513,647	1,513,647
UPSET expenses	-	-	-	106,822	106,822
Land held for resale	-	-	-	8,200	8,200
Future DDA projects	-	-	-	531,285	531,285
Unreserved, reported in:					
General Fund	4,073,232	-	-	-	4,073,232
Special revenue funds	-	676,399	347,337	3,007,403	4,031,139
TOTAL FUND BALANCES	4,126,267	676,399	347,337	8,139,047	13,289,050
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,671,455	\$ 680,409	\$ 372,074	\$ 8,357,402	\$ 14,081,340

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balances for governmental funds \$ 13,289,050

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 585,155	
Land improvements	5,003,272	
Buildings and improvements	2,744,711	
Parking lots	356,131	
Industrial land and buildings	16,913	
Vehicles and equipment	2,056,980	
Infrastructure	14,399,963	
Less:		
Accumulated depreciation	<u>(7,665,358)</u>	17,497,767

Internal service funds are used by the City to charge various costs to individual funds or departments of the City which are not accounted for as enterprise activities. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets. 6,085,069

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Accrued interest on long-term debt	\$ (1,899)	
Bonds payable	(372,000)	
Note payable	(190,003)	
Compensated absences and FICA	<u>(598,575)</u>	(1,162,477)

Deferred revenue reported as a liability on the balance sheet of the fund financial statements has been recognized as a revenue in the Statement of Activities and has been removed from the Statement of Net Assets. 99,785

Total net assets of governmental activities \$35,809,194

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

For the year ended June 30, 2006

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 3,945,204	\$ -	\$ -	\$ 259,186	\$ 4,204,390
Licenses and permits	1,612	-	-	-	1,612
Local sources	37,620	-	-	-	37,620
State grants	1,575,965	774,798	261,529	249,897	2,662,190
Federal sources	136,938	-	-	52,146	189,084
Charges for services	445,601	-	-	-	445,601
Fines and forfeitures	32,061	-	-	458,408	490,469
Interest and dividends	-	-	-	29,015	29,015
Miscellaneous	-	-	-	52,184	52,184
	<u>305,636</u>	<u>23,784</u>	<u>15,344</u>	<u>494,964</u>	<u>839,728</u>
TOTAL REVENUES	<u>6,480,637</u>	<u>798,582</u>	<u>276,873</u>	<u>1,595,800</u>	<u>9,151,892</u>
EXPENDITURES:					
General government	1,144,263	-	-	-	1,144,263
Public safety	3,825,060	-	-	-	3,825,060
Highways, streets and public works	472,121	640,246	481,246	265,495	1,859,108
Sanitation	800,008	-	-	153,209	953,217
Community services	19,148	-	-	-	19,148
Recreation	534,921	-	-	48,275	583,196
Cultural	223	-	-	-	223
Urban redevelopment and housing	-	-	-	486,309	486,309
Economic development	-	-	-	3,761	3,761
Other functions	-	-	-	187,239	187,239
Debt service	10,694	-	-	-	10,694
	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,374</u>	<u>76,374</u>
TOTAL EXPENDITURES	<u>6,806,438</u>	<u>640,246</u>	<u>481,246</u>	<u>1,220,662</u>	<u>9,148,592</u>
EXCESS REVENUES (EXPENDITURES)	<u>(325,801)</u>	<u>158,336</u>	<u>(204,373)</u>	<u>375,138</u>	<u>3,300</u>
OTHER FINANCING SOURCES (USES):					
Gain (loss) on sale of investments	(90,349)	(9,792)	(4,346)	(106,153)	(210,640)
Operating transfers in	709,179	-	221,804	221,186	1,152,169
Operating transfers out	(221,186)	(100,000)	-	(378,897)	(700,083)
	<u>397,644</u>	<u>(109,792)</u>	<u>217,458</u>	<u>(263,864)</u>	<u>241,446</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>397,644</u>	<u>(109,792)</u>	<u>217,458</u>	<u>(263,864)</u>	<u>241,446</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>71,843</u>	<u>48,544</u>	<u>13,085</u>	<u>111,274</u>	<u>244,746</u>
Fund balances, beginning of year	<u>4,054,424</u>	<u>627,855</u>	<u>334,252</u>	<u>8,027,773</u>	<u>13,044,304</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,126,267</u>	<u>\$ 676,399</u>	<u>\$ 347,337</u>	<u>\$ 8,139,047</u>	<u>\$ 13,289,050</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2006

Net changes in fund balances - total governmental funds	\$ 244,746
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,061,196) was exceeded by depreciation expense (\$984,819) and the removal of fixed assets (\$140,005)	
	(63,628)
Internal service funds are used by the City to charge various costs to individual funds or departments of the City which are not accounted for as an enterprise activity. This is the net revenue (expense) of the internal service fund that is reported with the governmental activities.	
	(47,583)
Repayment of debt principal is an expenditure in the governmental funds but reduces the debt liability in the Statement of Net Assets.	
Principal repayments:	52,000
DDA	23,750
CDBG Program	
This amount reflects the deferred revenue reported in the fund financial statements that is recognized as revenue in the Statement of Activities.	20,483
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than when it accrues. This adjustment combines the following net changes:	
Compensated absences and FICA	(21,758)
Accrued interest on debt	264
	<u>\$ 208,274</u>
Changes in net assets of governmental activities	

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2006

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
ASSETS:						
Current assets:						
Cash and equivalents	\$ 42,412	\$ -	\$ -	\$ 17,586	\$ 59,998	\$ -
Investments, at market	17,280,775	415,802	2,162,515	68,002	19,927,094	3,079,109
Receivables:						
Accounts	1,670,371	183,832	143,951	2,439	2,000,593	-
Accrued interest	174,022	4,657	21,327	832	200,838	28,387
Chemical inventory	-	6,346	3,997	-	10,343	-
Inventories, net of obsolescence allowance	2,614,925	89,935	-	16,659	2,721,519	-
Due from other funds	-	-	11,538	-	11,538	216
Prepaid expenses	191,004	-	-	-	191,004	194,592
Cash on deposit	-	-	-	-	-	31,375
Total current assets	<u>21,973,509</u>	<u>700,572</u>	<u>2,343,328</u>	<u>105,518</u>	<u>25,122,927</u>	<u>3,333,679</u>
Advance to Marina Fund	<u>12,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,292</u>	<u>-</u>
Restricted assets:						
Operation and maintenance account:						
Investments, at market	-	117,828	95,470	-	213,298	-
Replacement account:						
Investments, at market	-	-	50,000	-	50,000	-
Bond reserve account:						
Investments, at market	-	-	85,850	-	85,850	-
Total restricted assets	<u>-</u>	<u>117,828</u>	<u>231,320</u>	<u>-</u>	<u>349,148</u>	<u>-</u>
Property, plant and equipment	28,399,840	13,473,015	11,618,027	2,617,372	56,108,254	12,405,566
Less accumulated depreciation	<u>(20,107,542)</u>	<u>(4,893,426)</u>	<u>(4,836,443)</u>	<u>(760,410)</u>	<u>(30,597,821)</u>	<u>(5,578,521)</u>
Net property, plant and equipment	<u>8,292,298</u>	<u>8,579,589</u>	<u>6,781,584</u>	<u>1,856,962</u>	<u>25,510,433</u>	<u>6,827,045</u>
TOTAL ASSETS	<u>\$30,278,099</u>	<u>\$ 9,397,989</u>	<u>\$ 9,356,232</u>	<u>\$ 1,962,480</u>	<u>\$50,994,800</u>	<u>\$10,160,724</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 368,305	\$ 77,294	\$ 5,417	\$ 8,185	\$ 459,201	\$ 81,560
Customer deposits	170,359	-	-	-	170,359	-
Claims payable	-	-	-	-	-	363,874
Accrued salaries and fringes	90,027	79,225	79,319	-	248,571	23,357
Accrued interest payable	-	15,812	7,010	-	22,822	46,864
Due to other funds	-	-	11,538	-	11,538	-
Current portion of long-term debt	-	115,000	115,000	-	230,000	150,000
Total current liabilities	<u>628,691</u>	<u>287,331</u>	<u>218,284</u>	<u>8,185</u>	<u>1,142,491</u>	<u>665,655</u>
Long-term liabilities:						
Bonds payable	-	2,415,000	1,200,000	-	3,615,000	3,410,000
Advances from other funds	-	-	-	348,292	348,292	-
Total long-term liabilities	<u>-</u>	<u>2,415,000</u>	<u>1,200,000</u>	<u>348,292</u>	<u>3,963,292</u>	<u>3,410,000</u>
TOTAL LIABILITIES	<u>628,691</u>	<u>2,702,331</u>	<u>1,418,284</u>	<u>356,477</u>	<u>5,105,783</u>	<u>4,075,655</u>
NET ASSETS:						
Invested in capital assets, net of related debt	8,292,298	6,049,589	5,466,584	1,508,670	21,317,141	3,267,045
Restricted for:						
Debt service	-	117,828	231,320	-	349,148	-
Unrestricted	<u>21,357,110</u>	<u>528,241</u>	<u>2,240,044</u>	<u>97,333</u>	<u>24,222,728</u>	<u>2,818,024</u>
Total net assets	<u>29,649,408</u>	<u>6,695,658</u>	<u>7,937,948</u>	<u>1,606,003</u>	<u>45,889,017</u>	<u>6,085,069</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$30,278,099</u>	<u>\$ 9,397,989</u>	<u>\$ 9,356,232</u>	<u>\$ 1,962,480</u>	<u>\$50,994,800</u>	<u>\$10,160,724</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS

For the year ended June 30, 2006

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:						
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,186
Cobra contributions	-	-	-	-	-	50,378
City's contribution for employees	-	-	-	-	-	1,263,763
Employee insurance co-pay	-	-	-	-	-	2,173
Charges for services	13,904,998	1,426,066	1,098,293	234,946	16,664,303	-
Equipment rental	-	-	-	-	-	967,443
Provision for self-insurance	-	-	-	-	-	166,677
Miscellaneous	-	-	-	337	337	505,445
TOTAL OPERATING REVENUES	13,904,998	1,426,066	1,098,293	235,283	16,664,640	3,105,065
OPERATING EXPENSES:						
General government	-	-	-	-	-	2,634,280
Enterprises	-	-	-	211,441	211,441	-
Capital projects	-	-	-	-	-	10,556
Production	13,795,806	307,940	288,854	-	14,392,600	-
Transmission and distribution	332,949	160,518	113,227	-	606,694	-
Station	-	-	26,514	-	26,514	-
Customer service	38,992	36,113	25,789	-	100,894	-
Administrative and general	779,723	512,536	346,509	-	1,638,768	-
Provision for depreciation	1,000,475	245,179	202,662	62,612	1,510,928	441,431
Overhead to utilities	441,415	151,655	142,088	-	735,158	-
TOTAL OPERATING EXPENSES	16,389,360	1,413,941	1,145,643	274,053	19,222,997	3,086,267
OPERATING INCOME (LOSS)	(2,484,362)	12,125	(47,350)	(38,770)	(2,558,357)	18,798
NON-OPERATING REVENUE (EXPENSES):						
Gain (loss) on sale of investments	(338,325)	(8,839)	(40,525)	(1,089)	(388,778)	(54,588)
Rent received	-	13,800	-	-	13,800	-
Gain (loss) on sale of property	-	-	-	-	-	(2,207)
Interest earnings	875,042	21,818	99,302	2,693	998,855	136,673
Interest expense	-	(63,937)	(28,641)	(18,014)	(110,592)	(146,259)
Operating transfers out	(463,624)	-	-	-	(463,624)	-
Operating transfers in	-	-	11,538	-	11,538	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	73,093	(37,158)	41,674	(16,410)	61,199	(66,381)
CHANGE IN NET ASSETS	(2,411,269)	(25,033)	(5,676)	(55,180)	(2,497,158)	(47,583)
Total net assets, beginning of year	31,996,041	6,720,691	7,943,624	1,661,183	48,321,539	6,132,652
Add: Contributed capital	64,636	-	-	-	64,636	-
TOTAL NET ASSETS, END OF YEAR	\$29,649,408	\$ 6,695,658	\$ 7,937,948	\$ 1,606,003	\$45,889,017	\$ 6,085,069

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

For the year ended June 30, 2006

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Non-major Enterprise Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM ACTIVITIES:						
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,356,664
Cash received from customers	14,111,029	-	-	239,499	14,350,528	-
Cash received from other funds for purchase of receivables	-	1,439,472	1,083,821	-	2,523,293	-
Cash received from other funds for services	-	-	6,547	-	6,547	1,742,865
Cash payments to suppliers for goods and services	(17,976,021)	(641,866)	(578,497)	(118,186)	(19,314,570)	(772,441)
Cash payments to employees for services	(569,420)	(536,021)	(323,117)	(82,634)	(1,511,192)	(165,390)
Cash payments to other funds for services	(22,525)	(27,182)	(28,170)	(8,807)	(86,684)	-
Cash payment of benefits	-	-	-	-	-	(1,706,243)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(4,456,937)	234,403	160,584	29,872	(4,032,078)	455,455
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	11,820	-	-	(16,820)	(5,000)	-
Operating transfers out	(463,624)	-	-	-	(463,624)	-
Operating transfers in	-	-	11,538	-	11,538	-
NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(451,804)	-	11,538	(16,820)	(457,086)	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
Proceeds from the sale of equipment	-	-	-	-	-	659
Contribution of capital assets	64,636	-	-	-	64,636	-
Acquisition and construction of capital assets	(479,812)	(112,384)	(47,611)	-	(639,807)	(281,037)
Principal paid on bond maturities	-	(110,000)	(115,000)	-	(225,000)	(150,000)
Interest paid	-	(64,625)	(29,244)	(18,014)	(111,883)	(147,123)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(415,176)	(287,009)	(191,855)	(18,014)	(912,054)	(577,501)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	(338,325)	(8,839)	(40,525)	(1,089)	(388,778)	-
Interest received	920,692	22,776	100,893	2,784	1,047,145	84,554
Rent received	-	13,800	-	-	13,800	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	582,367	27,737	60,368	1,695	672,167	84,554
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(4,741,550)	(24,869)	40,635	(3,267)	(4,729,051)	(37,492)
Cash and equivalents, beginning of year	22,064,737	558,499	2,353,200	88,855	25,065,291	3,116,601
CASH AND EQUIVALENTS, END OF YEAR	\$ 17,323,187	\$ 533,630	\$ 2,393,835	\$ 85,588	\$ 20,336,240	\$ 3,079,109
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (2,484,362)	\$ 12,125	\$ (47,350)	\$ (38,770)	\$ (2,558,357)	\$ 18,798
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,000,475	245,179	202,662	62,612	1,510,928	441,431
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	204,246	13,406	(7,925)	4,216	213,943	(5,756)
(Increase) decrease in inventory	(926,018)	(89,743)	2,762	(2,568)	(1,015,567)	-
(Increase) decrease in prepaid expenses	(33,520)	-	-	-	(33,520)	-
Increase (decrease) in accounts payable	(2,212,937)	53,897	2,475	4,382	(2,152,183)	9,551
Increase (decrease) in accruals	(6,606)	(461)	7,960	-	893	(8,569)
Increase (decrease) in customer deposits	1,785	-	-	-	1,785	-
Total adjustments	(1,972,575)	222,278	207,934	68,642	(1,473,721)	436,657
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (4,456,937)	\$ 234,403	\$ 160,584	\$ 29,872	\$ (4,032,078)	\$ 455,455

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006

	Pension Trust Fund	Private- purpose Trusts	Agency Funds
ASSETS:			
Cash and equivalents	\$ 1,466	\$ -	\$ 3,017
Investments, at market	18,331,953	379,172	-
Receivables:			
Accrued interest	-	3,629	-
TOTAL ASSETS	<u>\$ 18,333,419</u>	<u>\$ 382,801</u>	<u>\$ 3,017</u>
LIABILITIES:			
Accounts payable	\$ 92,134	\$ -	\$ -
Due to other governments	-	-	3,017
TOTAL LIABILITIES	<u>\$ 92,134</u>	<u>\$ -</u>	<u>\$ 3,017</u>
NET ASSETS:			
Reserved for:			
Bonifas Trust Fund	\$ -	\$ 116,786	
Bezold Trust Fund	-	266,015	
Employee's retirement system	18,241,285	-	
TOTAL NET ASSETS	<u>\$ 18,241,285</u>	<u>\$ 382,801</u>	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2006

	Pension Trust Fund	Private- purpose Trusts
OPERATING REVENUES:		
Interest and dividends	\$ 641,970	\$ 16,929
Gain (loss) on sale of investments	463,620	-
Contributions:		
City of Escanaba	465,237	-
Employees	113,059	-
TOTAL OPERATING REVENUES	<u>1,683,886</u>	<u>16,929</u>
OPERATING EXPENSES:		
Administrative and general	2,403	-
Benefits and refunds of member contributions	1,134,235	-
Cultural	-	9,927
TOTAL OPERATING EXPENSES	<u>1,136,638</u>	<u>9,927</u>
OPERATING INCOME	<u>547,248</u>	<u>7,002</u>
OTHER FINANCING SOURCES (USED):		
Gain (loss) on sales of investments	-	(7,027)
NET INCOME (LOSS)	547,248	(25)
Net assets, beginning of year	<u>17,694,037</u>	<u>382,826</u>
NET ASSETS, END OF YEAR	<u>\$ 18,241,285</u>	<u>\$ 382,801</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Escanaba conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

A. Reporting Entity - The City's financial statements include the accounts of all City operations. The primary criterion applied to an activity or entity to determine if that entity should be included in the financial statements is the degree of oversight responsibility over such entities by the City's elected officials. This responsibility includes financial interdependency, selection of governing authority, selection of management, ability to significantly influence operations, and accountability for fiscal matters. Additional criteria that are considered even if there is no significant oversight responsibility are an entity's scope of public service and special financing relationships between a particular agency and the reporting entity. Based on these criteria and authoritative guidelines, the financial statements of the City of Escanaba include as blended funds the Escanaba Public Safety Pension Fund, the Downtown Development Authority and the Escanaba Building Authority, which are separately administered organizations controlled by the City. Additionally, the Escanaba Housing Commission is included as a discretely presented component unit. The Housing Commission is a separately administered organization, but is presented as a discrete component unit in that the City has the ability to significantly influence its operations.

For financial reporting purposes, in conformance with GASB Statements 14 and 39, the City of Escanaba (the primary government) includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the City's legislative branch, the City Council. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City. In addition, State of Michigan, Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

Blended Component Units - The City has three component units in which the financial data has been blended with the primary government financial statement.

Escanaba Public Safety Pension - For financial reporting purposes, the Escanaba Public Safety Pension is reported as if it were part of the City's operations because its board is appointed by the City

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Council and its purpose is to provide pension benefits to the City's Public Safety employees.

Downtown Development Authority - For financial reporting purposes, the Downtown Development Authority is reported as if it were part of the City's operations because the City Council maintains budgetary control and its purpose is to promote and provide financial support to the downtown merchants.

Escanaba Building Authority - For financial reporting purposes, the Escanaba Building Authority is reported as if it were part of the City's operations because its board is appointed by the City Council and its purpose is to account for the financing of the Public Works Complex and the financing and maintenance of the City Hall/Library Complex.

Discretely Presented Component Unit - The City has one discretely presented component unit for which the financial data has been included in this financial statement. The component unit is reported in a separate column to emphasize that it is legally separate from the City.

Escanaba Housing Commission - For financial reporting purposes the Escanaba Housing Commission is discretely reported in these financial statements because the Housing Commission board is appointed, and may be removed, by the City Council. The data included in this report is for the Housing Commission's fiscal year ended September 30, 2005. A separate audit report is issued for the Housing Commission and a complete copy of this report can be obtained at:

Escanaba Housing Commission
110 South 5th Street
Escanaba, MI 49829

Joint Venture - The City of Escanaba is a participant with Delta County, the City of Gladstone, and local townships in a joint venture to provide for a landfill, the Delta Solid Waste Management Authority. The authority is governed by a seven person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. Complete financial statements for the Delta Solid Waste Landfill can be obtained directly from Delta Solid Waste Management Authority. See Note 14 for additional information.

Delta Solid Waste Management Authority
100 Delta Avenue
Gladstone, Michigan 49837

B. Basis of Presentation - The City has adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, as described below.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements - The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the City are considered major if they meet the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.
- c. Additionally, State of Michigan requirements are considered. The state has requested that the Major and Local Street Funds be listed as major funds.

The City reports the following funds as major governmental funds in accordance with the previously listed criteria:

General Fund
Major Street Fund
Local Street Fund

The City reports the following funds as major enterprise funds in accordance with the previously listed criteria:

Electric Utility Fund
Water Utility Fund
Waste Water Utility Fund

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds of the City are described below:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds used by the City are as follows:

Major Street Fund - This fund accounts for revenues and expenditures in connection with the street system designated as major streets by the State of Michigan. This fund is required under state law.

Local Street Fund - This fund accounts for revenues and expenditures in connection with the street system designated as local streets by the State of Michigan. This fund is required under state law.

Parking Maintenance Fund - This fund accounts for revenues and expenditures related to the maintenance of parking lots.

Downtown Development Authority Fund - This fund accounts for revenues and expenditures in connection with developing and maintaining the Downtown Development Authority District.

Brownfield Fund - This fund accounts for the revenues and expenditures in connection with developing and maintaining contaminated properties in the Brownfield zone. The major source of revenue is tax assessed on the growth and development of properties within the plan.

Drug Law Enforcement Fund - This fund accounts for the revenues and expenditures in connection with forfeitures received both locally and from UPSET.

Delta County Central Dispatch Authority - This fund accounts for the revenues and expenditures relating to the emergency dispatching services provided by the City.

Library Fund - This fund accounts for revenues and expenditures directly attributable to library operations.

Housing Rehab Fund - This fund accounts for revenues and expenditures attributable to the City's program of rehabilitating substandard rental and owner occupied housing. Major financing sources include the U. S. Department of Housing and Urban Development, the Michigan State Housing Development Authority and the reuse of UDAG/DIAL funds.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants Fund - This fund accounts for revenues from various sources, including City matching shares, received under one-time grants. Expenditures are restricted to accomplishing the goals as defined in the individual grant offers.

Urban Development Action Grant Fund (UDAG/DIAL) - This fund has been established to account for funds granted to the City by the U.S. Department of Housing and Urban Development to make a loan to the Dial Corporation to be used for Delta Plaza improvements and related expenditures. Collections of interest and principal on this loan must be used for economic development activities.

Farmers Home Grant Fund - This fund was established to account for funds granted to the City by the Rural Development Administration, United States Department of Agriculture. The grant produced \$200,000 to be used by Calouette Industrial Properties for the renovation of buildings on the former Harnischfeger site. The grant called for a \$50,000 loan and a \$150,000 grant.

E.D.A. Revolving Loan Fund -

M.S.C. Revolving Loan Fund II - These funds were established to account for funds granted to the City to make loans to concerns which show the capacity for the creation of jobs. The E.D.A. Revolving Loan Fund was established through the U.S. Department of Commerce, under its Economic Development Administrations's Title IX Adjustment Implementation Program. The M.S.C. Revolving Loan Fund II was established through the State of Michigan's Department of Commerce Michigan Small Cities Program. Under each grant, loan repayments, including interest, are used to make further loans to concerns meeting specific criteria.

Land Development Fund - This fund accounts for revenues and expenditures in connection with the development and sale of City-owned land. It was established to provide on-going financing for water, sewer, storm sewer and street development on City owned properties.

Sanitary Landfill Fund - This fund was established by City ordinance and records receipts of garbage pickup fees by the City utility billing department. Fees are used to offset garbage pickup expenses in the General Fund.

Permanent Fund - The Gas Retirement Fund is the City's only permanent fund. This fund accounts for funds received from the sale of the City's gas utility in June, 1965, to Michigan Consolidated Gas Company. By a vote referendum on November 2, 1965, the City is prohibited from expending any principal resulting from the sale. Additionally, the interest earned from the investment of the principal must be spent on "capital improvements" only.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. Enterprise Funds used by the City are as follows:

Electric Utility Fund - This fund is used to record the operations of an electrical system.

Water Utility Fund - This fund is used to record the operations of a water system.

Waste Water Utility Fund - This fund is used to record the operations of a waste water system.

Marina Fund - This fund is used to record the operations of a marina.

Internal Service Funds - Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. In the government-wide financial statements, Internal Service Fund activity is included with the governmental activities. Internal Service Funds used by the City are as follows:

Escanaba Building Authority Fund - This fund is used to account for the financing of both the Public Works Complex and the City Hall/Library Complex. Such costs are billed to user departments in the form of rent.

Motor Vehicle Equipment Fund - This fund accounts for the cost of acquiring, maintaining and providing vehicle and equipment usage to various City departments. Such costs are billed to user departments in the form of rent.

Office Equipment Fund - This fund accounts for the cost of acquiring, maintaining and providing various office equipment usage to various City departments. Such costs are billed to user departments in the form of rent.

Risk Retention Fund - This fund is used to account for the City's partially self-insured general liability and property coverage.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dental Fund - This fund is used to account for the City's dental self-insurance program.

Health Insurance Fund - This fund is used to account for the City's health insurance program, which is partially self-insured.

Worker's Compensation Fund - This fund is used to account for the City's workers' compensation self-insurance program.

Unemployment Compensation Fund - This fund is used to account for the City's unemployment compensation self-insurance program.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. Trust and Agency Funds of the City are as follows:

Private Purpose Trust Funds:

Catherine Bonifas Trust Fund - This fund accounts for monies received from a bequest under the Last Will and Testament of Catherine Bonifas.

Bezold Trust Fund - This fund accounts for monies received from a bequest from the estate of Margaret Bezold.

Pension Trust Fund:

Public Safety Retirement Fund - This fund is used to record the operations of the public safety employees' retirement system.

Agency Funds:

Tax Collection Fund - This fund is used to account for the collections and payment of amounts received by the City in an agency capacity for governmental units assessing a property tax on property within the City limits.

C. Measurement Focus and Basis of Accounting - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded, regardless of the measurement focus applied.

Measurement Focus - On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the "economic resources" focus, which is described in paragraph (b) below:

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds, which include private purpose trust funds, utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds, which include pension trust funds, utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus is the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or non-current, associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency Funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

D. Basis of Accounting - In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when they become measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after the year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

E. Assets, Liabilities and Net Assets/Fund Balances:

1. Cash and Equivalents - The City's cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.
3. Due to and Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed.
4. Inventory - Inventories are valued at cost, which approximates market value, using the weighted average method. Inventories are recorded as an expenditure/expense at the time the individual items are consumed.
5. Fixed Assets - The accounting and reporting treatment applied to property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and on whether the assets are reported in the government-wide financial statements or the fund financial statements.

Government-wide Statements - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual cost was unavailable. Donated fixed assets are recorded at their estimated fair market value as of the date of donation.

Prior to July 1, 2002, the governmental funds infrastructure assets, the major and local street systems, were not capitalized. These assets have been valued at their estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the estimated useful life of the asset using the straight-line method of depreciation. The range of estimated useful lives, by fund, is as follows:

Electric Utility Fund:	
Operating plant	5 - 40 years
Distribution system and equipment	4 - 40 years
Water Utility Fund:	
Water plant and distribution system	2 - 75 years
Equipment	2 - 20 years
Waste Water Utility Fund:	
Structures	10 - 50 years
Mains	75 years
Equipment	5 - 20 years
Marina Fund:	
Boat launch/parking	20 - 50 years
Furniture, fixtures and equipment	5 - 15 years
Marina docks, piers and walls	20 - 75 years
Harbor Master building	40 - 50 years

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Service Funds (Governmental):	
Escanaba Building Authority	3 - 45 years
Motor Vehicles and Equipment	3 - 25 years
Office Equipment	3 - 10 years
Other Assets (Governmental):	
Land improvements	30 - 50 years
Buildings	20 - 50 years
Infrastructure	20 - 50 years
Equipment	5 - 30 years

Fund Financial Statements - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

6. Long-term Debt - The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide financial statements or the fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and the payment of principal and interest is reported as expenditures. The accounting for long-term debt for the proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

7. Compensated Absences - The City's policies regarding vacation and sick time allow employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.
8. Deferred Revenues - In the government-wide financial statements and the proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are received prior to being earned. In the fund financial statements, deferred revenue is recognized when the revenue is unearned or unavailable.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Equity Classification

Government-wide Financial Statements - Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - This component consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - This component consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further segregated between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the government-wide financial statements.

F. Revenues

Government-wide Financial Statements - In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business type) and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues that do not meet the criteria of program revenues and include revenues such as property taxes, state revenue sharing payments and interest earnings.

Fund Financial Statements - In the governmental fund statements, revenues are reported by source, such as federal, state and taxes. Revenues consist of general-purpose revenues and restricted revenues. General-purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available only for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general-purpose and restricted revenues are available for use, it is the City's policy to use restricted resources first.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Expenses/Expenditures

Government-wide Financial Statements - In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business type) and are classified by function.

Fund Financial Statements - In the governmental fund financial statements, expenditures are classified by character; current, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and non-operating and are further classified by function, such as salaries, supplies and contracted services.

H. Operating Revenues and Expenses - Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

I. Other Financing Sources (Uses) - The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenditures as operating transfers, unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds, respectively.

J. Interfund Activity - As a general rule, the interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities, and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

Interfund receivables and payables have been eliminated from the Statement of Net Assets except for the residual amounts due between governmental and business-type activities.

K. Budget and Budgetary Accounting - The development and adoption of the City's budget is based upon requirements as set forth in both the City Charter and Act 2, P.A. of 1968 of the State of Michigan, the "Uniform Budgeting and Accounting Act." The following is a summary of the significant legal requirements and the City's policies.

Budgetary Basis of Accounting - Act 2, Public Acts of 1968 of the State of Michigan requires a formal budget for all funds except Internal Service, Enterprise or Public Improvements/Building and Site Funds, which require an "informational summary" in lieu of a formal budget. The City Charter

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

requires submission of the budget to the City Council no later than two months prior to the beginning of the next fiscal year. The City Charter further defines the information required to be presented in the budget and the requirement for a public hearing prior to adoption. The City Charter and state law also require that an appropriations ordinance be adopted, based on the approved budgets, no later than one month prior to the ensuing fiscal year. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Appropriations Ordinance - As prescribed by state law, the City's annual appropriations ordinance includes the legal expenditure limitations for all Governmental Fund Types. This includes the General Fund and all Special Revenue Funds. Proprietary Funds do not require inclusion in the appropriations ordinance.

The appropriations ordinance prescribes the legal expenditure limits for all funds required to be included in the ordinance. The level of control for each fund is based upon the level to which the appropriation ordinance details it. Most budgets are adopted on a fund basis, but the General Fund is adopted on the activity level of various functions or programs within the General Fund. Administrative control of expenditures is maintained through the utilization of the detailed line item budgets upon which the appropriations ordinance is formulated.

Budget Amendment - The City Charter states that at any meeting after the passage of the appropriations ordinance, with at least one week's printed notice in a city newspaper, the Council may amend the appropriations ordinance. Budget amendments may be required due to several factors; receipt of outside grants during the year, expenditures for unanticipated developments and projects continuing over two fiscal years. Unexpended appropriations lapse at year end with the exception of the Capital Projects Funds. The budgeted amounts listed in this report are as originally adopted and as amended by the Council on February 16, 2006 and June 15, 2006.

Budgetary Calendar

1. The City holds public hearings on the budget from January through April. These publicized meetings are designed to encourage public input into City programs and are held at these times to allow integration of suggestions into the budgetary process.
2. Budgets are developed and reviewed with the City Council at budget work sessions open to the public. Department heads are given the opportunity to support their requests during these sessions.
3. The City holds two public hearings in May on the budgets, publicized and open to the public. At the second meeting, budgets are adopted and the appropriations ordinance is drafted based on the adopted budget.
4. The appropriations ordinance is formally adopted prior to June 1.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. The City Manager is authorized to transfer budgeted amounts between line items within most funds. For the General Fund, this is limited to the activity level of various functions or programs. However, any revisions that alter the total expenditures of most funds or the activity level expenditures of the General Fund must be approved by the City Council.

L. Investments - In compliance with Governmental Accounting Standards Board Statement No. 31 (GASB 31), all investments are stated at market value as of June 30, 2006.

The primary purpose of GASB 31 is to alert financial statement users of any possible problems with investment portfolios, based on differences between cost and market. By requiring that financial statements reflect investments at market, it effectively requires that any differences between cost and market values - unrealized gains and losses - are treated as recognized gains and losses. The treatment of recognizing unrealized gains and losses is recorded on the City's books as "Gain (loss) on sale of investments" in each of the City's funds that this applies to.

The creation of unrealized gains and losses is a condition resulting from the change in interest rates which occurs continuously in the world's financial markets. Generally, as interest rates fall, the market value of investments rise and as interest rates rise, the market value of investments fall. While techniques can be used to minimize this impact and to predict future interest rate direction, the reality is that these changes are a simple fact of investing. GASB 31 was an attempt to recognize that as these changes occur in financial markets, it can impact an entity's future funds availability. Numerous governmental entities have suffered major financial impacts resulting from these shifts in market conditions. Theoretically, by recording investments at market, financial statement readers are alerted to potential problems of this nature.

The problem with GASB 31 is that it requires the recognition of revenue that hasn't been, and may never be, received. Not only does this impact the financial statements in a manner which cannot be reasonably budgeted for, it can lead to even greater distortions in future years. The basic structure of the City's portfolio is a "laddering" approach; as funds become available for investing, they are generally invested for a duration longer than the investments which are currently owned, depending on the rates that the market is providing. As a result, the City has investments maturing on a regular basis. Having to sell investments at a loss in order to raise cash will seldom, if ever, occur.

Because the City believes that the imposition of GASB 31 on the City's financial statements has an inappropriate effect, the schedule below details, for each fund impacted, the audited results, the impact of GASB 31, and the financial results without the imposition of GASB 31.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Fund</u>	<u>Audited Results</u>	<u>GASB 31 Impact</u>	<u>Actual Results</u>
General Fund	\$ 71,843	\$ 90,349	\$ 162,192
Major Street Fund	48,544	9,797	58,341
Local Street Fund	13,085	4,346	17,431
Parking Maintenance Fund	(333)	8	(325)
Downtown Development Authority	8,836	10,341	19,177
Brownfield Fund	2,160	223	2,383
Drug Law Enforcement Fund	6,720	279	6,999
Delta County Central Dispatch Authority	-	76	76
Library Fund	(7,525)	1,480	(6,045)
Housing Rehab (Fund 274)	19,876	1,538	21,414
Grants Fund	(177)	-	(177)
UDAG/DIAL Grant Fund	87,394	19,297	106,691
E.D.A. Revolving Loan Fund	52,305	16,842	69,147
Farmers Home Grant Fund	1,902	1,391	3,293
M.S.C. Revolving Loan Fund II	25,345	7,694	33,039
Land Development Fund	(14,572)	24,272	9,700
Sanitary Landfill Fund	(1,540)	1,410	(130)
Electric Utility Fund	(2,411,269)	338,323	(2,072,946)
Water Utility Fund	(25,033)	8,838	(16,195)
Waste Water Utility Fund	(5,676)	40,525	34,849
Marina Fund	(55,180)	1,089	(54,091)
Escanaba Building Authority	14,019	6,022	20,041
Motor Vehicle and Equipment Fund	31,506	18,347	49,853
Office Equipment Fund	(5,277)	920	(4,357)
Risk Retention Fund	(1,220)	1,106	(114)
Dental Fund	(7,291)	103	(7,188)
Health Insurance Fund	46,388	294	46,682
Worker's Compensation Fund	(117,224)	20,220	(97,004)
Unemployment Compensation Fund	(8,484)	7,569	(915)
Catherine Bonifas Trust	3,027	2,104	5,131
Bezold Trust Fund	(3,052)	4,923	1,871
Gas Retirement Fund	(69,117)	21,301	(47,816)

M. Post-retirement Benefits - Post-retirement benefits consist primarily of pension benefits as explained in Note 8. Additionally, retirees are able to obtain health insurance through the City's insurance carrier at their own cost.

N. Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 2 - BUDGET NONCOMPLIANCE

A. The City has not complied with certain provisions of the Michigan Uniform Budgeting and Accounting Act. Items of noncompliance are as follows.

The following functions in the General Fund were overspent:

Parks	\$ 2,398
Band	1,066
Crosswalks	1,564

The following Special Revenue Funds had an excess of expenditures over appropriations:

Sanitary Landfill Fund	\$ 1,486
Housing Rehab Fund	392

B. The Dental Internal Service Fund had a \$4,411 net asset deficit as of year end. As required by state law the City must file a deficit reduction plan with the state.

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS

Cash balances of most City funds are pooled for investment purposes. Interest earnings and any net short-term gains on sales of investments purchased with pooled funds are allocated monthly to each of the funds based on their daily equity balance. The carrying amount of pooled cash and investments on June 30, 2006 and 2005 was \$34,671,410 and \$37,271,189, respectively.

The City also has several funds which do not participate in the investment pool. The majority of non-pooled cash and investments is owned by the Public Safety Pension Fund. The carrying amount of non-pooled cash and investments as of June 30, 2006 and 2005 was \$18,290,862 and \$18,925,154, respectively.

The investment of City funds is governed by state statutes. In general, state statute provides that the City is authorized to invest their pooled funds in bonds, direct obligations and repurchase agreements of the United States Government or an agency of the same; deposits in insured financial institutions having their primary office in Michigan; commercial paper rated prime; banker's acceptances issued by United States banks; and mutual funds that invest in any of the preceding investments.

The major restriction placed on non-pooled investments is based on state statutes governing the Public Safety Pension Fund. These statutes define the types of investments (including equity investments, which are not legal for the pooled funds) that the fund can make and further define the permitted ratios of investments. In addition, the Public Safety Pension Fund governing board currently has a sixty-five (65) percent ceiling on equities as a proportion of total investments.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

Investment requirements imposed by local bonding ordinances are an additional restriction placed on non-pooled deposits and investments. These ordinances require funds which serve as bond reserves to be separately invested in obligations of the United States Government or its agencies or instrumentalities.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Deposits - At June 30, 2006, the carrying amount of the City's deposits was \$630,846 and the bank balance was \$795,924. Of the bank balance, \$301,824 was covered by federal depository insurance and \$494,100 was uninsured and uncollateralized. Cash and equivalents on the statement of net assets also includes \$3,725 of cash on hand.

Cash Equivalents - Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and mature in such a short period of time that their values are effectively immune from changes in interest rates. Examples of cash equivalents include treasury bills, commercial paper, money market funds, and cash management pools.

A reconciliation of cash and investments to bank deposits and total investments noted on the following page is as follows:

Government-wide Statement of Net Assets

Presentation:

Cash and equivalents	\$ 208,810
Investments, at market	33,688,706
Restricted cash and investments	<u>349,148</u>
Subtotal	<u>34,246,664</u>

Statement of Fiduciary Net Assets

Presentation:

Cash and equivalents	4,483
Investments, at market	<u>18,711,125</u>
Subtotal	<u>18,715,608</u>
TOTAL	<u>\$ 52,962,272</u>

The City's investments are stated at fair value, which is determined using the current stock and bond indexes, as appropriate. For investments that do not have established market values, estimated fair value is used.

CITY OF ESCANABA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

The following schedule lists the investments and maturities of the City as of June 30, 2006:

	Market	Investment Maturities (In Years)			
		Less than One	One to Five	Six to Ten	Over Ten
Investments:					
Operating Funds:					
U. S. Treasury Obligations	\$ 8,342,704	\$6,192,239	\$ 1,434,919	\$ 715,546	\$ -
U. S. Agencies	13,000,000	-	4,000,000	9,000,000	-
CD's listed as investments	<u>12,584,835</u>	<u>2,070,585</u>	<u>10,514,250</u>	<u>-</u>	<u>-</u>
Total	<u>\$33,927,539</u>	<u>\$8,262,824</u>	<u>\$15,949,169</u>	<u>\$9,715,546</u>	<u>\$ -</u>

In addition to the above holdings, the City (which includes funds held by the Public Safety Officer Pension Trust Fund (PSO)), had the following holdings, which are also recorded at market value:

	Market Value
Investment:	
Operating Funds:	
Money Market Funds:	
Merrill Lynch	\$ 68,209
Pension Funds:	
Mutual Funds:	
Vanguard Small Cap Index Fund	1,669,178
Eaton Vance Fund of Boston	2,009,560
Vanguard 500 Index Fund	5,615,015
Vanguard Total Bond Market Index Fund	5,306,228
JP Morgan Mid Cap Value Fund	<u>3,731,972</u>
	<u>\$18,400,162</u>

Interest Rate Risk - The City's investment policy follows state law with the exception that while state law has no maximum maturity on investments, the City requires that investments not exceed twelve years. None of the City's investments exceeded this threshold. The PSO's investment policy follows state law.

Credit Risk - The City's and the PSO's investment policy follows state law. Of the U.S. Agency investments listed above \$3,835,380 were rated AAA by Standard & Poor's. The remainder was not separately rated. The money market funds held by the City and the mutual funds held by the PSO were not separately rated.

Custodial Credit Risk - The City's investment policy states that brokerages offering securities to the City are required to maintain all securities in a separate account and to not aggregate the City's securities with those of other account holders. The PSO's investment policy follows state law.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 3 - CASH, DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk - The City's investment policy states that no more than fifty percent of its surplus funds may be invested in certificates of deposit. As of June 30, 2006, the City had 37.1% of its surplus funds invested in certificates of deposit. Additionally, the City is only allowed to invest up to ten percent of its pooled funds in commercial paper and repurchase agreements. As of June 30, 2006, the City had no funds invested in either commercial paper or repurchase agreements.

The PSO's investment policy prohibits any one security exceeding five percent of an overall fund. No investment exceeded this threshold during the fiscal year. Additionally, no one industry can represent more than twenty percent of an individual fund. No industry represented more than twenty percent of an individual fund during the fiscal year.

NOTE 4 - UTILITY RECEIVABLES

The City's net receivables for utility services (Electric, Water, and Waste Water) are summarized as follows:

Billed Receivables	\$ 933,541
Unbilled Receivables	<u>1,117,311</u>
Total Receivables	2,050,852
Less: Allowance for doubtful accounts	<u>(53,898)</u>
Net Receivables	<u>\$ 1,996,954</u>

The City's Sanitary Landfill Special Revenue Fund also shows \$13,465 of billed receivables and \$10,270 of unbilled receivables which are categorized under accounts receivable in the financial statements.

NOTE 5 - MORTGAGES, LAND CONTRACTS AND OTHER NOTES RECEIVABLE

Long-term receivables due the City at June 30, 2006 and 2005 consist of the following:

<u>Debtor</u>	<u>Original Amount of Loan</u>	<u>Inter- est Rate</u>	<u>Monthly Payment</u>	<u>Collateral</u>	<u>Balance June 30,</u>	
					<u>2006</u>	<u>2005</u>
<u>UDAG/DIAL Grant Fund:</u>						
DIAL Enterprises	\$1,221,264	(b)	(b)	Real Estate	\$ 772,451	\$ 816,439
K & D Enterprises	5,985	7.0%	239(a)	Real Estate	1,383	2,337
DDD & S Facade Loan	20,000	0.0%	500(a)	Real Estate	5,000	7,000
Golden Comb	10,000	0.0%	357(a)	Real Estate	1,429	2,500
Pioneer TV Facade Loan	10,000	0.0%	250(a)	Real Estate	2,750	3,500
E&S Eisenberger Facade Loan	10,015	0.0%	357(a)	Real Estate	64	1,114

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 5 - MORTGAGES, LAND CONTRACTS AND OTHER NOTES RECEIVABLE (continued)

Debtor	Original Amount of Loan	Inter- est Rate	Monthly Payment	Collateral	Balance June 30,	
					2006	2005
Robert Jo and Paul Viau	\$ 10,000	0.0%	357(a)	Real Estate	\$ 8,929	\$ -
DeGrand Enterprises	10,000	0.0%	357(a)	Real Estate	8,571	-
Benoit's Glass & Lock	10,000	0.0%	57(a)	Real Estate	1,368	1,368
William & Donna Perron	10,000	0.0%	305(a)	Real Estate	1,733	2,437
Barbara Dorn/Al Gossan	10,000	0.0%	357(a)	Real Estate	2,143	3,571
Rick and Judy Jensen	10,000	0.0%	357(a)	Real Estate	10,000	-
Fyhr Enterprises	8,288	0.0%	296(a)	Real Estate	2,368	3,552
Kitchen Place	10,000	0.0%	357(a)	Real Estate	4,243	4,589
Ed and Suzell Eisenberger	9,243	0.0%	330(a)	Real Estate	4,621	-
Lawrence and Karen Anderson	10,000	0.0%	357(a)	Real Estate	5,843	5,843
Clare Bedding	8,925	0.0%	319(a)	Real Estate	4,463	5,737
Boomer's/Crawford/Hoskings	35,000	4.75%	491(a)	Real Estate	21,316	26,184
Richard Malone	10,000	0.0%	357(a)	Real Estate	6,439	7,500
Craig Woerpel	10,000	0.0%	357(a)	Real Estate	8,256	9,296
Tom & Connie Harris	10,000	0.0%	357(a)	Real Estate	7,196	8,235
Swedish Pantry	9,742	0.0%	348(a)	Real Estate	7,307	8,698
Pioneer TV Facade Loan #2	10,000	0.0%	357(a)	Real Estate	9,750	10,000
Wedding Center/Ray Krusic	10,000	0.0%	357(a)	Real Estate	8,929	10,000
Kenneth Schwalbach	10,000	0.0%	357(a)	Real Estate	9,643	5,587
Tim Kitchen	21,000	5.75%	304	Real Estate	18,254	20,775
FUND TOTALS					934,449	966,262
EDA Revolving Loan Fund:						
E.M.P., Inc.	700,000	4.75%	13,130	All Assets	141,043	288,032
RT Mfg.	235,000	4.0%	4,328	Promissory Note	138,126	187,625
Michigan Meats	335,000	5.75% (d)	2,030	Promissory Note	344,644	134,626
FUND TOTALS					623,813	610,283
M.S.C. Revolving Loan Fund II:						
Escanaba Foundation	62,500	8.0%	523	Hanger Building	27,495	28,136
M & M Enterprises	189,720	6.0%	2,772	Promissory Note	7,790	7,790
E & S Eisenberger	108,800	8.5%	1,004	All assets	73,628	81,187
E.M.P., Inc.	400,000	4.75%	7,503	All Assets	80,597	164,590
P&B Associates	123,000	4.5%	910	Promissory Note	118,747	118,332
FUND TOTALS					308,257	400,035
Land Development Fund:						
Schwalbach Corporation	39,600	9.0%	451	Property	-	2,140
A.M. Express	63,200	6.0%	702	Property	-	9,986
FUND TOTALS					-	12,126
TOTALS					\$1,866,519	\$1,988,706

(a) Quarterly payment.

(b) For the period commencing on December 1, 1993 and ending December 1, 2003, payments of principal and interest at 4 percent in the amount of \$6,446 will be made. For the period December 1, 2003 to December 1, 2008, payments of principal and interest at 6 percent in the amount of \$7,354 will be made. On December 1, 2008, the note will mature, at which time the entire unpaid balance of approximately \$662,000 will be due.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 5 - MORTGAGES, LAND CONTRACTS AND OTHER NOTES RECEIVABLE (continued)

- (c) Monthly payment.
- (d) Interest shall commence accruing upon advancement of loan funds. Interest rate shall be 1.75% below New York Composite Prime Rate. Simple interest and interest rate shall be adjusted every three (3) years to reflect any changes to the New York Composite Prime Rate.

NOTE 6 - PROPERTY TAXES

The City's annual property tax on real and personal property is levied, by action of the City Council, no later than June 1 annually, and becomes an enforceable lien on July 10, payable by September 15, and is based on the taxable valuation of property on the preceding December 31. The City bills and collects its own property taxes and also acts as collection agent for all overlapping governments in the City, which includes the local school district, intermediate school district, community college and the County. Collections of property taxes for overlapping governments are accounted for in the Tax Collection Agency Fund. City property tax revenues are recognized during the year in which they are collected. An allowance for delinquent taxes is provided for receivables not expected to be collected during the year.

In 1982, Delta County established a real property tax revolving fund. Each March 1, all unpaid real property taxes become delinquent and are sold to the County. At March 1, 2005 and 2006, total delinquent real property taxes sold to the County totaled \$192,373 and \$145,083, respectively.

NOTE 7 - CAPITAL ASSETS

A summary of changes in governmental activities capital assets is as follows:

	Balance 06/30/05	Additions	Retirements and other Deductions	Balance 06/30/06
Land, not being depreciated	\$ 1,133,668	\$ 118,722	\$ 41,504	\$ 1,210,886
Land improvements	4,969,804	33,468	-	5,003,272
Buildings and improvements	9,037,342	46,888	-	9,084,230
Parking lots	356,131	-	-	356,131
Industrial land and buildings	16,913	-	-	16,913
Vehicles and equipment	7,152,913	657,427	313,044	7,497,296
Infrastructure	14,235,305	293,690	129,032	14,399,963
Total capital assets subject to depreciation	35,768,408	1,031,473	442,076	36,357,805
Total capital assets	36,902,076	1,150,195	483,580	37,568,691

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 7 - CAPITAL ASSETS (continued)

	Balance 06/30/05	Additions	Retirements and other Deductions	Balance 06/30/06
Less accumulated depreciation:				
Land improvements	\$ 784,232	\$ 136,411	\$ -	\$ 920,643
Buildings and improvements	2,542,396	206,093	-	2,748,489
Parking lots	78,684	11,873	-	90,557
Industrial land and buildings	10,152	564	-	10,716
Equipment	4,673,371	435,814	214,543	4,894,642
Infrastructure	4,261,540	446,324	129,032	4,578,832
Total accumulated depreciation	12,350,375	1,237,079	343,575	13,243,879
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	\$24,551,701	\$ (86,884)	\$ 140,005	\$24,324,812

Depreciation expense was charged to governmental activities as follows:

General government	\$ 247,194
Public Safety	185,161
Highways, streets and public works	552,395
Community services	309
Recreation	159,299
Cultural	85,256
Economic development	7,465

Total governmental activities depreciation expense \$1,237,079

A summary of business-type activities property, plant and equipment at June 30, 2006 is as follows:

	Balance 06/30/05	Additions	Retirements and other Deductions	Balance 06/30/06
Capital assets not subject to depreciation:				
Land	\$ 56,953	\$ -	\$ -	\$ 56,953
Construction in progress	41,205	15,701	40,305	16,601
Total capital assets not subject to depreciation	98,158	15,701	40,305	73,554
Capital assets subject to depreciation:				
Land improvements	1,687,192	-	-	1,687,192
Buildings and improvements	21,101,710	308,275	-	21,409,985
Electric generating equipment	11,879,323	-	-	11,879,323
Transmission and distribution systems	19,608,141	273,378	29,280	19,852,239
Other machinery and equipment	1,137,096	82,758	13,893	1,205,961
Total capital assets subject to depreciation	55,413,462	664,411	43,173	56,034,700
Total capital assets	55,511,620	680,112	83,478	56,108,254
Less accumulated depreciation:				
Land improvements	672,175	40,345	-	712,520
Buildings and improvements	10,303,254	775,009	-	11,078,263
Electric generating equipment	7,522,746	247,668	-	7,770,414
Transmission and distribution systems	9,757,576	389,272	29,280	10,117,568
Other machinery and equipment	874,315	58,634	13,893	919,056
Total accumulated depreciation	29,130,066	1,510,928	43,173	30,597,821
NET BUSINESS TYPE ACTIVITIES CAPITAL ASSETS	\$26,381,554	\$ (830,816)	\$ 40,305	\$25,510,433

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 7 - CAPITAL ASSETS (continued)

Depreciation expense was charged as follows:

Electric	\$1,000,475
Water	245,179
Waste water	202,662
Marina	<u>62,612</u>
Total business-type activities depreciation expense	<u>\$1,510,928</u>

NOTE 8 - PENSION PLANS

Public Safety Pension Plan

A. Plan Description - The Escanaba Public Safety Pension Fund is a single employer public employee retirement system established and administered by the City to provide pension benefits exclusively for all of its public safety officers. The Pension Fund is accounted for as a separate Pension Trust Fund. At June 30, 2005, the date of the most recent actuarial valuation, membership in the Pension Fund consisted of 34 current employees and 48 retirees and beneficiaries currently receiving benefits and two terminated employees entitled to but not yet receiving future benefits.

The Public Safety Pension Fund provides retirement benefits as well as death and disability benefits. Employees who retire at any age with 25 or more years of service or age 60 regardless of service are entitled to an annual retirement benefit, payable for life, in an amount equal to 3.0% of their three-year average final compensation (AFC) multiplied by their first 25 years of service, for a maximum benefit of 75% of final average compensation. A deferred retirement is earned by an employee who terminates before retirement age and has 10 or more years of service. The plan provides for a minimum retiree pension amount of \$500 per month. This minimum is also applicable to surviving spouses. The annual retirement benefit payable to a qualifying retiree is increased by 1.0% (1.5% for those retirees and beneficiaries retiring after July 1, 2002) per year, compounded annually.

Covered employees are required to contribute 5.0% of their compensation to the plan if the City's contribution rate is below 6.83%. If the City's contribution rate rises above 6.83%, then members are required to contribute 6.0% to the plan. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. City contributions are actuarially determined and based on the individual entry-age method.

B. Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of June 30, 2005. Significant actuarial assumptions used in determining the actuarial

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - PENSION PLANS (continued)

accrued liability included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional salary increases of 0.2% to 4.0% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the June 30, 2005 actuarial valuation to determine the annual employer contribution amounts. The individual entry-age actuarial cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION

Actuarial Accrued Liability:	
To retirants and beneficiaries	\$11,180,006
To present active members:	
Member contributions	8,003,860
Inactive vested members	<u>290,701</u>
Total actuarial accrued liability	19,474,567
Actuarial value of assets	<u>18,381,567</u>
Unfunded (overfunded) actuarial accrued liability	<u>\$ 1,093,000</u>

GASB 27 INFORMATION

Contributions Required and Contributions Made - The funding policy of the plan provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended June 30, 2005 were determined using the individual entry-age actuarial cost method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of thirty years. The following table provides a schedule of contribution amounts and percentages for recent years.

Year ended	Annual	Percent
<u>June 30</u>	<u>Required</u>	<u>Contributed</u>
	<u>Contribution</u>	
2001	\$ 108,776	100%
2002	107,352	100%
2003	123,488	100%
2004	219,191	100%
2005	418,035	100%

The amount shown above as the annual required contribution is the amount actually contributed in each fiscal year. These amounts are determined by applying the computed employer percent of payroll contribution rate to the actual pay during the fiscal year.

The employer portion of the contribution for the fiscal year ending June 30, 2006 was calculated at 24.69% of the valuation payroll. This calculates out to \$465,237.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - PENSION PLANS (continued)

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
6/30/01	\$19,330,612	\$15,133,840	\$ (4,196,772)	128%	\$ 1,751,810	-%
6/30/02	19,274,620	16,233,484	(3,041,136)	119%	1,681,701	-%
6/30/02*	19,274,620	16,582,195	(2,692,425)	116%	1,681,701	-%
6/30/03	18,797,603	17,360,814	(1,436,789)	108%	1,708,691	-%
6/30/03@	18,797,603	18,293,107	(504,496)	103%	1,708,691	-%
6/30/04	18,431,090	18,883,067	451,977	98%	1,867,349	24%
6/30/05	18,381,567	19,616,655	1,235,088	94%	1,827,151	68%
6/30/05*	18,381,567	19,474,567	1,093,000	94%	1,827,151	60%

* After changes in benefit provision.

@ After changes in assumptions.

Michigan Municipal Employees Retirement System

A. Plan Description - The City of Escanaba contributes to the Michigan Municipal Employees Retirement System (MERS), a multiple-employer public retirement system that acts as a common investment and administrative agent for municipalities in the State of Michigan. The plan issues a stand-alone financial report.

All full-time and certain part-time City employees, except for Public Safety employees, who are covered exclusively under the Public Safety Pension Plan, are eligible to participate in the MERS. Benefits vest after 10 years of service. Normal retirement provisions of the MERS apply to participants who retire at or after age 60 with at least 10 years of credited service. Employees with 15 years of credited service may retire at or after age 55 with reduced benefits. Employees with 25 years or more of credited service may retire at or after age 50 with reduced benefits. Employees, other than members of the Dispatcher's, Teamster's, Electrician's or Water and Waste Water divisions, with 30 years of credited service may retire at or after age 55 with full benefits. Members of Dispatcher's, Teamster's, Electrician's or Water and Waste Water divisions may retire with full benefits at or after age 55 with 25 years of credited service. The annual retirement benefits of part time division employees are equal to 2.0% of their average annual compensation for their last three years of employment multiplied by their years of credited service. The Non-Union, Teamster's, Dispatcher's, Water/Waste Water and Electrician's divisions have a benefit which calls for annual retirement benefits equal to 2.25% of average annual compensation for the last three years of employment multiplied by years of credited service, with a maximum benefit of 80% of final average compensation. Benefits for all divisions except part-time include a provision for automatic non-compounded increases for all pensioners and their beneficiaries. The annual increase equals the smaller of 1% or the increase in the consumer price index.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - PENSION PLAN (continued)

B. Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation and (c) additional salary increases of 0.00% to 8.4% per year, depending on age, attributable to merit and longevity.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/05)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 13,714,082
Terminated employees not yet receiving benefits	907,661
Current employees -	
Accumulated employee contributions including allocated investment income	139,705
Employer Financed	<u>11,569,964</u>
Total Actuarial Accrued Liability	\$ 26,331,412
Net Assets Available for Benefits at Actuarial Value	<u>18,228,522</u>
(Market Value is \$17,748,184)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 8,102,890</u>
Fiscal Year Beginning	July 1, 2007
Annual Required Contribution (ARC)	\$ 787,356
Amortization Factor Used - Underfunded Liabilities (30 years)	0.053632

C. Contributions Required and Contributions Made - The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry-age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. The following table provides a schedule of contribution amounts and percentages of recent years.

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Percent</u> <u>Contributed</u>
2003	\$ 558,664	100%
2004	555,140	100%
2005	650,157	100%

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - PENSION PLAN (continued)

Notes: Total payments made by the City of Escanaba to MERS for fiscal year ended June 30, 2006 were \$611,749.

D. Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2001	\$15,615,958	\$18,783,991	\$ 3,168,033	83	\$ 4,315,870	73%
2002	15,834,089	19,829,046	3,994,957	80	4,306,914	93%
2003	16,789,939	21,330,198	4,540,259	79	4,405,553	103%
2004	17,612,343	23,586,755	5,974,412	75	4,417,685	135%
2005	18,228,522	26,331,412	8,102,890	69	3,991,872	203%

NOTE 9 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

	Balance 06/30/05	Additions	Retire- ments	Balance 06/30/06	Amounts Due Within One Year
Governmental Activities:					
Refunding of 1993 and 1994 Escanaba Building Authority bonds, variable interest rate from 2.0 to 4.55%, due in semi-annual installments of \$150,000 to \$270,000 through March 2024.	\$3,710,000	\$ -	\$ 150,000	\$3,560,000	\$150,000
DDA bonds, 6.0%, due in annual installments of \$12,000 commencing June 1, 1997 through December 2006.	24,000	\$ -	12,000	12,000	12,000
DDA bonds, 6.13%, due in annual installments of \$40,000 commencing December 1, 2001 through December 2014.	400,000	-	40,000	360,000	40,000
Loan payable to the Michigan Strategic fund (CDBG program) for the Industrial Park Project. Principal payments of \$5,938 shall commence September 1, 2005 and every quarter thereafter until the debt is re-tired by May 31, 2014.	213,753	-	23,750	190,003	23,750
FICA on accrued compensated absences	40,991	1,546	-	42,537	18,194
Long-term portion of accrued compensated absences	535,826	20,212	-	556,038	226,687
Total governmental long-term debt	\$4,924,570	\$ 21,758	\$ 225,750	\$4,720,578	\$470,631

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 8 - LONG-TERM DEBT (continued)

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Balance</u> <u>06/30/06</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Business-type Activities:					
1993 Waste Water Utility revenue bonds, 2.0%, due in semi-annual installments of \$60,000 to \$85,000 through October 1, 2013.	\$ 690,000	\$ -	\$ 70,000	\$ 620,000	\$ 70,000
1998 Waste Water Utility revenue bonds, 2.25%, due in semi-annual installments of \$40,000 to \$65,000 through October 1, 2018	740,000	-	45,000	695,000	45,000
2002 Water Utility revenue bonds, 2.5%, due in semi-annual installments of \$110,000 to \$170,000 through October 1, 2023.	<u>2,640,000</u>	<u>-</u>	<u>110,000</u>	<u>2,530,000</u>	<u>115,000</u>
Total business-type long-term debt	<u>\$4,070,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$3,845,000</u>	<u>\$230,000</u>

Debt service requirements on long-term debt, excluding compensated absences and fringes, at June 30, 2006 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>June 30</u>	<u>Notes</u> <u>Payable</u>	<u>Bonds</u> <u>Payable</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 23,751	\$ 202,000	\$ 159,343	\$ 385,094
2008	23,750	190,000	152,781	366,531
2009	23,750	200,000	146,204	369,954
2010	23,751	200,000	138,752	362,503
2011	23,750	210,000	130,900	364,650
2012-2016	71,251	1,105,000	522,782	1,699,033
2017-2021	-	1,145,000	304,490	1,449,490
2022-2024	-	680,000	56,490	736,490
TOTAL	<u>\$ 190,003</u>	<u>\$ 3,932,000</u>	<u>\$ 1,611,742</u>	<u>\$ 5,733,745</u>

Business-type Activities:

<u>Year Ending</u> <u>June 30</u>	<u>Bonds</u> <u>Payable</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 230,000	\$ 88,644	\$ 318,644
2008	240,000	83,251	323,251
2009	245,000	77,687	322,687
2010	245,000	72,063	317,063
2011	255,000	66,325	321,325
2012-2016	1,185,000	243,739	1,428,739
2017-2021	940,000	117,576	1,057,576
2022-2024	<u>505,000</u>	<u>19,063</u>	<u>524,063</u>
TOTAL	<u>\$ 3,845,000</u>	<u>\$ 768,348</u>	<u>\$ 4,613,348</u>

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS

The Upper Peninsula Power Company had contracted with the City of Escanaba to operate and maintain the City's generating plant for a period of 30 years. This contract expired on May 31, 1988. It was anticipated at the time of the original agreement that the plant would be capable of producing

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 10 - ELECTRIC UTILITY FUND AGREEMENTS (continued)

electric energy in excess of the quantities required by the City. Accordingly, over the 30-year period, the Company had the right to any excess power which was generated by the plant. In return, the Company agreed to make lease payments to the city in equal monthly installments over this period. The lease payments were calculated to pay for the bonds issued for the plant construction plus the interest thereon.

On January 1, 1979 the two parties amended their original agreement for the operation and maintenance of the City's generating plant. Under this new agreement, the parties shared equally the cost of operating and maintaining the plant in relation to the net energy generated and delivered to each of the parties.

On December 12, 1986 a new agreement was reached by the two parties for the operation of the City's generating plant. This new agreement went into effect on June 1, 1988 and will remain in force until terminated by mutual agreement or by either party subject to 36 months written notice. The new agreement provides that the Company will continue to operate and maintain the plant and the City will reimburse the Company for all operating, maintenance and administrative expenses incurred plus an annual management fee initially equal to \$25,000, adjusted annually according to the Producer Price Index.

NOTE 11 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables occurred during the year for operational purposes. Interfund receivables and payables at June 30, 2006 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 117,318	Grants Fund	\$ 106,910
		Sanitary Landfill	10,408
		Subtotal	<u>117,318</u>
Waste Water Utility	11,538	Land Development Fund	11,538
Local Street Fund	11,538	Waste Water Utility	11,538
Land Development Fund	11,538	Local Street Fund	11,538
Health Insurance Fund	<u>216</u>	Grants Fund	<u>216</u>
TOTAL	<u>\$ 152,148</u>	TOTAL	<u>\$ 152,148</u>

NOTE 12 - ADVANCES TO OTHER FUNDS

Electric Utility Fund - The advance to Marina Fund consists of a loan for \$155,524 made during the year ended June 30, 1990. The advance was used to finance certain capital improvements in the Marina Fund. The loan is to be paid back over a 17-year period with interest at 4 percent. The balance as of June 30, 2006 is \$12,292.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 12 - ADVANCES TO OTHER FUNDS (continued)

Land Development Fund - The advances to other funds consists of a loan to the Marina Project Capital Project Fund for \$350,000 made during the fiscal year ended June 30, 2001. The advance was used to finance certain capital improvements to the City's Marina. The loan is to be paid back over a 25 year period with interest at 5 percent. The balance as of June 30, 2006 is \$336,000.

NOTE 13 - NET ASSET AND FUND BALANCE RESERVES AND RESTRICTIONS

Fund balance reserves as reported on the Governmental Funds balance sheet are as follows:

A. Reserves for Inventory - The General Fund has \$53,023, reserved for inventory as they do not represent expendable available financial resources.

B. Reserved for Prepaid Expenditures - The General Fund has \$12 reserved for prepaid expenditures as they do not represent expendable available financial resources.

C. Reserve for Gas Retirement Principal and Reserve for Capital Improvements - By a voter referendum on November 2, 1965, the City is prohibited from expending any of the original principal, \$989,349, resulting from the sale of the City's gas utility in June, 1965. In addition, the interest earned from the investment of the principal can be spent only for capital improvements. At June 30, 2006 the amount available for expenditure is \$115,822.

D. Reserve for Long-term Notes Receivable - The E.D.A. Revolving Loan, M.S.C. Revolving Loan Fund II, and Urban Development Action Grant Funds have \$623,813, \$308,257 and \$934,449, respectively, of the fund balance reserved for the non-current portion of loans receivable which do not represent expendable available financial resources.

E. Reserve for Revolving Loans - Under terms of grant agreements with the United States Department of Commerce and the Michigan Department of Commerce, proceeds of funds granted to the City and loaned to local businesses must be reserved and used exclusively for additional, future loans to local businesses. Of these funds, \$487,384 is accounted for in the M.S.C. Revolving Loan Fund II, and \$1,026,263 is accounted for in the E.D.A. Revolving Loan Fund.

F. Reserve for UPSET Expenses - The Drug Law Enforcement Fund has \$106,822 reserved for expenses authorized by UPSET. These funds can only be used for UPSET activities and cannot be used for City activities.

G. Reserve for Land Held for Resale - The Land Development Fund has \$8,200 reserved for land held for resale which does not represent expendable available financial resources.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 13 - NET ASSET AND FUND BALANCE RESERVES AND RESTRICTIONS (continued)

H. Reserve for Future DDA Projects - The Downtown Development Authority Fund has \$531,285 reserved for future projects as listed in the TIF Development Plan.

Net asset restrictions as reported on the Proprietary Fund statement of net assets are as follows:

A. Restriction for Debt Service - In accordance with revenue bond indentures in the Water Utility Fund and the Waste Water Utility Fund, \$117,828 and \$231,320, respectively, of retained earnings are reserved for this specific purpose.

Net asset restrictions as reported on the Statement of Fiduciary Net Assets are as follows.

A. Reserve for Bonifas Trust Fund - Under terms of a Circuit Court decree dated March 3, 1955, the City of Escanaba was authorized to act as trustee in the administration of a bequest under the Last Will and Testament of Catherine Bonifas. The Will requested the bequest be used or applied one-third for a state office building, one-third for a city and county building, and one-third for a recreation building.

The fund balance at June 30, 2006, from receipt of the original donation, is computed below:

Original donation	\$ 311,789	
Interest earned on original donation	117,266	
General Fund contribution - land	20,565	
Community Action Agency Grant	20,307	
Earnings retained	<u>327,323</u>	\$ 797,250
Deduct:		
Delta County Building Authority payment authorized by Circuit Court decree	50,000	
Contribution to State of Michigan	145,784	
Transfer to City General Fund authorized by Circuit Court decree	279,395	
Capital improvements made to William Bonifas Fine Arts Center authorized by Circuit Court decree	6,500	
Capital improvements made to Catherine Bonifas Civic Center authorized by Circuit Court decree	<u>198,785</u>	<u>680,464</u>
		<u>\$ 116,786</u>

B. Reserve for Children's Materials - The Bezold Trust Fund has \$266,015 for the purpose of children's materials in accordance with a donor's instructions.

C. Reserve for Employees Retirement System - The Public Safety Pension Fund has \$18,241,285 reserved for that retirement system.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 14 - JOINT VENTURE - DELTA SOLID WASTE LANDFILL

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County, including the City of Escanaba. It was established in order to provide for a new landfill, as the former county-wide site, owned by the City of Gladstone, was approaching saturation.

The Authority is governed by a seven person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. The three members of the Authority board from the villages and townships are selected by and from a body composed of one representative from each township or village; the three board members from the cities are selected by and from a body composed of two representatives from each city; and the member of the Delta County Board of Commissioners is chosen by said Board of Commissioners after review of recommendation by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

Operation and maintenance costs are paid out of tipping fees assessed against those who dump garbage at the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone and private garbage haulers serving the other local units. The landfill began operation in December, 1985. Audited financial information of the Delta Solid Waste Management Authority as of and for the year ended December 31, 2005 is as follows:

Total assets	<u>\$ 6,790,061</u>
Total current liabilities	\$ 290,265
Total long-term liabilities	6,367,605
Total net assets	<u>132,191</u>
Total liabilities and equity	<u>\$ 6,790,061</u>
Operating revenues	\$ 2,060,648
Operating expenses	<u>(1,646,050)</u>
Net operating income (loss)	414,598
Non-operating revenues (expense), net	<u>(130,753)</u>
Increase in net assets	<u>\$ 283,845</u>

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 15 - OPERATING TRANSFERS IN AND OUT

During the year various transfers occurred between funds for operating activity purposes. Transfers between all funds are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 709,179	\$ 221,186
Major Street Fund	-	100,000
Local Street Fund	221,804	-
Parking Maintenance Fund	14,186	-
Library Fund	207,000	-
Gas Retirement Fund	-	100,000
Land Development Fund	-	93,342
Sanitary Landfill Fund	-	185,555
Proprietary Funds:		
Electric Fund	-	463,624
Waste Water Fund	<u>11,538</u>	<u>-</u>
Total	<u>\$1,163,707</u>	<u>\$1,163,707</u>

NOTE 16 - CONTINGENT LIABILITIES

The City has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City. As of the date of this report management was unaware of any disallowed claims.

NOTE 17 - RISK MANAGEMENT

The City maintains self insurance programs for dental benefits, worker's compensation, unemployment compensation and health insurance that are reported as Internal Service Funds. All fund types are charged premiums at rates determined using established insurance rates and other factors which, in management's opinion, warrant consideration. For the fiscal year ended June 30, 1986, the assets of the Worker's Compensation Fund and earnings thereon, were considered sufficient to cover expected future claims and, thus, all charges to individual funds were discontinued. The City has in the past purchased an excess worker's compensation policy which covers excess losses greater than \$250,000 up to a limit of \$2,000,000 per occurrence, but as of July 1, 1987, permission was received from the Michigan Department of Labor to drop this excess coverage for workers compensation. Accordingly, the City no longer carries any excess insurance. Unpaid claims liability is calculated using mortality and present value tables applied to the existing or potential benefits stream.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 17 - RISK MANAGEMENT (continued)

A summary of the claims activity is as follows:

	<u>Balance</u> <u>6/30/05</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance</u> <u>6/30/06</u>
Workers' Compensation	\$ 325,000	\$ 130,206	\$ 130,206	\$ 325,000
Dental	24,251	111,368	113,141	22,478
Unemployment Compensation	5,411	19,202	11,472	13,141
Health Insurance	<u>54,692</u>	<u>200,811</u>	<u>195,524</u>	<u>59,979</u>
	<u>\$ 409,354</u>	<u>\$ 461,587</u>	<u>\$ 450,343</u>	<u>\$ 420,598</u>

The City of Escanaba participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$100,000. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

The reinsurance agreements discussed above include provisions for minimum annual premiums. As of June 30, 2006, the Authority had met the minimum requirements.

At June 30, 2006, the City had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

CITY OF ESCANABA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 18 - UNREALIZED GAINS & LOSSES ON INVESTMENTS

Under the requirements of Governmental Accounting Standards Board Statement 31, the City records it's investments at market value. As a result of market fluctuations an unrealized loss of \$661,026 has been recorded during the current fiscal year.

NOTE 19 - RECLASSIFICATION

Certain reclassifications have been made in the 2005 comparative totals to conform to the classifications used in 2006. Any reclassifications made were not material to the financial statements.

NOTE 20 - SINGLE AUDIT

OMB Circular A-133 requires that any entity that expends more than \$500,000 in federal awards is required to have a single audit as outlined in the OMB Circular. For the year ended June 30, 2006, the City did not expend more than \$500,000. Consequently, no single audit was performed or required.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Current property taxes	\$ 3,918,475	\$ 3,918,475	\$ 3,896,403	\$ (22,072)
Collection on prior levies	23,000	23,000	12,099	(10,901)
Payments in lieu of taxes:				
Harbor Tower	7,000	7,000	7,216	216
West Highland	12,000	12,000	11,712	(288)
Chippewa Indians	950	950	942	(8)
Meadow Brook	-	-	1,295	1,295
Willow Grove	-	-	343	343
Bridgewood	300	300	300	-
Penalties and interest	13,000	13,000	14,894	1,894
Total Taxes	3,974,725	3,974,725	3,945,204	(29,521)
Licenses and Permits:				
Business licenses and permits	1,000	1,000	1,612	612
Local Sources:				
Downtown patrol	-	-	7,620	7,620
DDA Reimbursement	15,000	15,000	20,000	5,000
Chippewa Tribe gaming revenue	10,000	10,000	10,000	-
Total Local Sources	25,000	25,000	37,620	12,620
State Grants:				
Anti-drug abuse	24,000	24,000	9,302	(14,698)
Dispatcher training funds	3,000	3,000	-	(3,000)
Meth lab reimbursement	-	-	201	201
State shared revenues	1,562,500	1,562,500	1,534,756	(27,744)
Criminal justice	7,300	7,300	7,965	665
FEMA match funds	17,100	17,100	17,000	(100)
Click it or ticket	-	-	6,741	6,741
Total State Grants	1,613,900	1,613,900	1,575,965	(37,935)
Federal Sources:				
Anti-drug abuse	46,000	46,000	47,328	1,328
Bulletproof vest program	2,000	2,000	4,590	2,590
Project Safe Neighborhood Grant	87,500	87,500	68,906	(18,594)
FEMA grant	18,000	18,000	16,114	(1,886)
Total Federal Sources	153,500	153,500	136,938	(16,562)
Charges For Services:				
Land use fees	-	-	6,576	6,576
Engineering department	500	500	877	377
Computer printouts	400	400	-	(400)
Composting	10,300	10,300	7,615	(2,685)
Cost recovery ordinances	3,000	3,000	780	(2,220)
Variance fees	1,000	1,000	-	(1,000)
Wedding ceremony fees	-	-	40	40
Duplicating and photostat fees	3,000	3,000	2,535	(465)
Tax collection fees	55,000	55,000	63,382	8,382
Fire protection	63,500	63,500	73,737	10,237
Street Department for overhead	18,500	18,500	14,100	(4,400)
Recreation program	750	750	8,399	7,649

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Farmers market	\$ 325	\$ 325	\$ 325	\$ -
Dispatching	133,500	133,500	149,025	15,525
Wireless E-911 revenue	59,000	59,000	70,047	11,047
Boat launches	20,000	20,000	21,414	1,414
Delta solid waste	5,600	5,600	6,992	1,392
Property owners share of construction	25,000	25,000	16,961	(8,039)
Inspection fees	3,800	3,800	2,691	(1,109)
Training fees	-	-	105	105
Total Charges for Services	<u>403,175</u>	<u>403,175</u>	<u>445,601</u>	<u>42,426</u>
Fines and Forfeitures:				
Penalties and interest	1,500	1,500	2,498	998
Nonmoving violations and district court	10,000	10,000	12,550	2,550
Penal fines, county allocation	<u>15,000</u>	<u>15,000</u>	<u>17,013</u>	<u>2,013</u>
Total Fines and Forfeitures	<u>26,500</u>	<u>26,500</u>	<u>32,061</u>	<u>5,561</u>
Miscellaneous:				
Vending machine sales	500	500	1,691	1,191
Commissions on pay telephone	1,000	1,000	-	(1,000)
Interest earnings	180,000	180,000	224,138	44,138
Rents	52,000	52,000	53,337	1,337
Jackie Sorenson aerobics fees	-	-	4,842	4,842
Sale of property	1,000	1,000	395	(605)
Purchase discounts	1,800	1,800	2,246	446
MMRMA Rap Grant	-	-	5,642	5,642
Contributions	10,000	10,000	12,353	2,353
Other	<u>2,000</u>	<u>2,000</u>	<u>992</u>	<u>(1,008)</u>
Total Miscellaneous	<u>248,300</u>	<u>248,300</u>	<u>305,636</u>	<u>57,336</u>
TOTAL REVENUES	<u>6,446,100</u>	<u>6,446,100</u>	<u>6,480,637</u>	<u>34,537</u>
EXPENDITURES:				
General government:				
City Council:				
Salaries and wages	13,000	13,000	10,360	2,640
Fringe benefits	1,156	1,156	986	170
Office supplies	500	500	748	(248)
Operating supplies	400	400	31	369
Communications	75	75	84	(9)
Transportation	2,000	2,000	174	1,826
Printing and publishing	100	100	-	100
Insurance and bonds	550	550	509	41
Public relations	200	200	-	200
Memberships and dues	6,100	6,100	5,102	998
Meetings	600	600	-	600
Equipment repair	-	-	15	(15)
Equipment rental	<u>500</u>	<u>500</u>	<u>75</u>	<u>425</u>
Total City Council	<u>25,181</u>	<u>25,181</u>	<u>18,084</u>	<u>7,097</u>
City Manager:				
Salaries and wages	181,289	114,964	114,862	102
Fringe benefits	79,019	51,903	46,318	5,585
Office supplies	2,400	2,400	2,545	(145)
Communications	2,400	2,400	1,568	832

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Transportation	\$ 4.000	\$ 4.000	\$ 1.485	\$ 2.515
Printing and publishing	1.000	1.000	775	225
Insurance and bonds	40	40	-	40
Memberships and dues	250	250	200	50
Meetings	-	-	630	(630)
Equipment repair	200	200	15	185
Equipment rental	10.250	10.250	6.748	3.502
Books, magazines and periodicals	550	550	377	173
	281.398	187.957	175.523	12.434
Less amount applicable to utilities	(196.979)	(131.570)	(122.865)	(8.705)
Total City Manager	84.419	56.387	52.658	3.729
City Elections:				
Salaries and wages	1.129	1.129	-	1,129
Fringe benefits	379	379	-	379
Professional services	-	19,000	18,224	776
Office supplies	1,500	1,500	2,107	(607)
Transportation	200	200	367	(167)
Printing and publishing	200	200	-	200
Meetings	200	200	405	(205)
Equipment repair	-	-	180	(180)
Equipment rental	2,500	2,500	2,500	-
Telephone	150	150	-	150
Total City Elections	6.258	25.258	23.783	1.475
Accounting:				
Salaries and wages	139.398	139.398	139.352	46
Fringe benefits	63.054	63.054	61.328	1,726
Professional services	250	250	-	250
Office supplies	6,050	6,050	5,695	355
Communications	1,000	1,000	1,070	(70)
Printing and publishing	750	750	-	750
Insurance and bonds	600	600	538	62
Memberships and dues	175	175	170	5
Meetings	-	-	25	(25)
Equipment repair	150	150	-	150
Equipment rental	3,200	3,200	3,379	(179)
Books, magazines and periodicals	100	100	-	100
	214.727	214.727	211.557	3.170
Less amount applicable to utilities	(128.836)	(128.836)	(126.935)	(1.901)
Total Accounting	85.891	85.891	84.622	1.269
City Assessor:				
Salaries and wages	84.988	86.988	87.202	(214)
Fringe benefits	36.746	37.246	37.603	(357)
Professional services	2,800	2,800	250	2,550
Office supplies	11,250	11,250	10,580	670
Communications	600	600	660	(60)
Transportation	150	150	-	150
Printing and publishing	500	500	404	96
Memberships and dues	405	405	316	89
Meetings	300	300	125	175

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Equipment repair	\$ 1,200	\$ 1,200	\$ 1,087	\$ 113
Equipment rental	2,700	2,700	2,408	292
Book, magazines and periodicals	405	405	397	8
Total City Assessor	142,044	144,544	141,032	3,512
City Attorney:				
Professional services	44,200	53,200	50,731	2,469
Office supplies	200	200	612	(412)
Equipment rental	-	1,000	875	125
Books, magazines and periodicals	1,000	2,000	2,090	(90)
	45,400	56,400	54,308	2,092
Less amount applicable to utilities	(22,700)	(22,700)	(27,153)	4,453
Total City Attorney	22,700	33,700	27,155	6,545
Stenographer:				
Salaries and wages	19,604	-	-	-
Fringe benefits	7,134	-	-	-
Office supplies	800	-	-	-
Communications	250	-	-	-
Equipment rental and repair	1,700	-	-	-
Total Stenographer	29,488	-	-	-
Human Resources:				
Salaries and wages	13,776	41,375	37,223	4,152
Fringe benefits	4,508	10,349	11,216	(867)
Professional services	-	5,000	4,909	91
Office supplies	500	500	1,541	(1,041)
Communications	-	-	208	(208)
Transportation	-	-	180	(180)
Printing and publishing	600	2,600	2,227	373
Memberships and dues	-	-	160	(160)
Meetings	400	400	575	(175)
Equipment rental	-	1,200	1,186	14
Books, magazines and periodicals	-	-	26	(26)
	19,784	61,424	59,451	1,973
Less amount applicable to utilities	(6,924)	(15,583)	(20,807)	5,224
Total Human Resources	12,860	45,841	38,644	7,197
Purchasing and Stock Department:				
Salaries and wages	11,079	24,365	24,465	(100)
Fringe benefits	3,931	11,600	11,157	443
Professional services	200	200	200	-
Office supplies	200	200	36	164
Communications	-	-	570	(570)
Printing and publishing	2,400	2,400	468	1,932
Insurance and bonds	1,200	1,200	-	1,200
Public utilities	1,000	1,000	607	393
Building maintenance	-	500	-	500
Equipment repair	500	-	397	(397)
Equipment rental	600	600	303	297

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
New equipment	\$ -	\$ -	\$ 127	\$ (127)
	21,110	42,065	38,330	3,735
Less amount applicable to utilities	(12,666)	(24,039)	(22,999)	(1,040)
Total Purchasing and Stock Department	<u>8,444</u>	<u>18,026</u>	<u>15,331</u>	<u>2,695</u>
Board of Review:				
Professional services	1,600	1,600	1,320	280
Office supplies	50	50	52	(2)
Tuition assistance	100	100	-	100
Transportation	100	100	130	(30)
Printing and publishing	300	300	48	252
Total Board of Review	<u>2,150</u>	<u>2,150</u>	<u>1,550</u>	<u>600</u>
Treasurer:				
Salaries and wages	133,937	107,966	106,077	1,889
Fringe benefits	60,588	51,830	51,863	(33)
Professional services	1,100	1,100	65	1,035
Office supplies	2,300	2,300	1,404	896
Communications	1,300	1,300	1,364	(64)
Transportation	1,100	1,100	28	1,072
Printing and publishing	1,000	1,000	938	62
Insurance and bonds	800	800	760	40
Memberships and dues	40	40	35	5
Meetings	400	400	-	400
Equipment repair	100	100	-	100
Equipment rental	5,700	5,700	5,231	469
Books, magazines and periodicals	250	250	215	35
	208,615	173,886	167,980	5,906
Less amount applicable to utilities	(187,754)	(156,500)	(151,186)	(5,314)
Total Treasurer	<u>20,861</u>	<u>17,386</u>	<u>16,794</u>	<u>592</u>
City Clerk:				
Salaries and wages	81,075	79,075	77,208	1,867
Fringe benefits	45,416	44,916	44,785	131
Office supplies	3,600	3,600	2,011	1,589
Communications	900	900	1,137	(237)
Transportation	1,000	1,000	-	1,000
Printing and publishing	4,000	4,000	2,383	1,617
Insurance and bonds	110	110	150	(40)
Memberships and dues	260	260	266	(6)
Meetings	300	300	159	141
Equipment rental	3,500	3,500	3,873	(373)
Books, magazines and periodicals	500	500	930	(430)
Capital outlay	200	200	96	104
Total City Clerk	<u>140,861</u>	<u>138,361</u>	<u>132,998</u>	<u>5,363</u>
Billing Department:				
Salaries and wages	117,873	117,873	114,348	3,525
Fringe benefits	71,289	71,289	70,496	793
Clothing	500	500	-	500
Professional services	400	400	616	(216)

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Office supplies	\$ 21,500	\$ 21,500	\$ 20,991	\$ 509
Communications	1,300	1,300	1,264	36
Transportation	250	250	-	250
Printing and publishing	4,000	4,000	7,647	(3,647)
Meetings	200	200	39	161
Equipment repair	100	100	-	100
Equipment rental	14,300	14,300	14,605	(305)
Books, magazines and periodicals	100	100	-	100
New equipment	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
	231,912	231,912	230,006	1,906
Less amount applicable to utilities	<u>(208,721)</u>	<u>(208,721)</u>	<u>(207,005)</u>	<u>(1,716)</u>
Total Billing Department	<u>23,191</u>	<u>23,191</u>	<u>23,001</u>	<u>190</u>
Independent Auditing:				
Professional services	16,250	16,250	16,250	-
Less amount applicable to utilities	<u>(8,125)</u>	<u>(8,125)</u>	<u>(8,125)</u>	<u>-</u>
Total Independent Auditing	<u>8,125</u>	<u>8,125</u>	<u>8,125</u>	<u>-</u>
Farmers Market:				
Public utilities	<u>200</u>	<u>200</u>	<u>179</u>	<u>21</u>
Public Works - City Hall/Library:				
Building rental	125,796	125,796	125,796	-
Building lease	<u>292,525</u>	<u>294,525</u>	<u>293,968</u>	<u>557</u>
	418,321	420,321	419,764	557
Less amount applicable to utilities	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total Public Works - City Hall/Library	<u>368,321</u>	<u>370,321</u>	<u>369,764</u>	<u>557</u>
Civic Center:				
Salaries and wages	50,223	58,223	58,886	(663)
Fringe benefits	23,228	25,228	24,043	1,185
Professional services	450	450	1,070	(620)
Office supplies	500	500	357	143
Building supplies	4,000	4,000	3,839	161
Communications	1,800	1,800	1,701	99
Transportation	1,200	1,200	-	1,200
Printing and publishing	-	-	127	(127)
Insurance and bonds	3,700	3,700	3,356	344
Public utilities	38,000	50,000	42,792	7,208
Building maintenance	7,501	7,501	7,605	(104)
Equipment repair	1,000	1,000	466	534
Equipment rental	700	700	902	(202)
New equipment	<u>300</u>	<u>300</u>	<u>275</u>	<u>25</u>
Total Civic Center	<u>132,602</u>	<u>154,602</u>	<u>145,419</u>	<u>9,183</u>
Rental Property:				
Insurance and bonds	<u>425</u>	<u>425</u>	<u>361</u>	<u>64</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>			Variance with final budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Tourism Promotion:				
Printing and publishing	\$ 300	\$ 300	\$ -	\$ 300
Insurance and bonds	500	500	280	220
Building maintenance	500	500	-	500
Waterfront Art show	700	700	462	238
Car show	500	500	431	69
Folk Fest	500	1,300	1,256	44
RCL Fishing Tournament	-	200	119	81
FLW Everstart Bass Tournament	3,000	5,000	4,752	248
Chamber Fish Promo	-	4,000	3,250	750
	<u>6,000</u>	<u>13,000</u>	<u>10,550</u>	<u>2,450</u>
Total Tourism Promotion				
Boat Launches:				
Salaries and wages	4,104	4,104	1,943	2,161
Fringe benefits	314	314	338	(24)
Operating supplies	1,250	1,250	848	402
Printing and publishing	2,000	2,000	1,082	918
Insurance and bonds	500	500	-	500
Public utilities	4,000	4,000	2,364	1,636
Equipment rental	2,100	2,100	2,641	(541)
Telephone	400	400	-	400
Travel expense, auto allowance	500	500	-	500
Repairs to structures	2,000	2,000	312	1,688
Repairs to equipment	750	750	-	750
	<u>17,918</u>	<u>17,918</u>	<u>9,528</u>	<u>8,390</u>
Total Boat Launches				
Promotional:				
Community promotion	5,550	8,550	8,007	543
Celebration flags	1,717	1,717	777	940
Fourth of July	14,367	15,967	15,901	66
	<u>21,634</u>	<u>26,234</u>	<u>24,685</u>	<u>1,549</u>
Total Promotional				
Total General Government	<u>1,159,573</u>	<u>1,206,741</u>	<u>1,144,263</u>	<u>62,478</u>
Public Safety:				
Public Safety Department:				
Salaries and wages	1,953,003	1,954,403	1,950,101	4,302
Fringe benefits	887,729	887,729	890,332	(2,603)
Clothing	12,000	12,000	11,270	730
Uniform maintenance	1,800	1,800	1,317	483
Professional services	1,800	1,800	1,510	290
Office supplies	25,490	24,090	25,089	(999)
Building supplies	2,000	2,000	2,368	(368)
Communications	9,500	9,500	8,847	653
Public relations	300	300	424	(124)
Transportation	5,000	5,000	6,323	(1,323)
Printing and publishing	1,500	1,500	1,199	301
Insurance and bonds	30,000	30,000	25,258	4,742
Public utilities	34,000	34,000	44,836	(10,836)
Building maintenance	2,000	2,000	2,000	-
Memberships and dues	410	410	345	65
Meetings	5,500	5,500	3,055	2,445
Equipment repair	18,675	18,675	16,442	2,233
Equipment rental	145,830	145,830	141,997	3,833
Hydrant rental	66,160	66,160	66,160	-

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Books, magazines and periodicals	\$ 1,900	\$ 1,900	\$ 315	\$ 1,585
New equipment	41,550	41,550	30,754	10,796
Building improvements	4,550	4,550	729	3,821
Total Public Safety Department	3,250,697	3,250,697	3,230,671	20,026
Community Preservation:				
Salaries and wages	72,241	86,906	86,557	349
Fringe benefits	24,764	30,298	28,381	1,917
Professional services	1,000	1,000	14	986
Office supplies	5,300	6,100	5,961	139
Communications	1,200	1,450	1,024	426
Transportation	1,500	1,500	711	789
Printing and publishing	1,000	1,000	156	844
Memberships and dues	320	320	105	215
Meetings	1,000	1,000	459	541
Equipment repair	200	400	58	342
Equipment rental	5,100	6,600	5,738	862
Books, magazines and periodicals	200	200	304	(104)
New equipment	-	-	330	(330)
Total Community Preservation	113,825	136,774	129,798	6,976
Anti-drug Abuse Grant:				
Salaries and wages	56,332	56,332	57,436	(1,104)
Fringe benefits	29,513	29,513	26,908	2,605
Clothing	100	100	95	5
Office supplies	200	200	-	200
Transportation	2,000	2,000	1,926	74
Insurance and bonds	-	-	-	-
Telephone	600	600	230	370
Professional services	26,000	26,000	10,661	15,339
Total Anti-drug Abuse Grant	114,745	114,745	97,256	17,489
Public Safety Training:				
Transportation	1,500	1,500	75	1,425
Memberships and dues	-	-	250	(250)
Meetings	4,500	4,500	5,485	(985)
Total Public Safety Training	6,000	6,000	5,810	190
Dispatchers:				
Salaries and wages	216,802	192,802	184,265	8,537
Fringe benefits	96,563	78,563	76,206	2,357
Clothing	7,750	7,750	-	7,750
Uniform maintenance	100	100	-	100
Professional services	20,000	20,000	14,388	5,612
Office supplies	1,350	1,350	262	1,088
Building supplies	-	-	30	(30)
Communications	1,800	1,800	2,043	(243)
Transportation	1,100	1,100	222	878
Printing and publishing	200	200	-	200
Education and training	900	900	478	422
Memberships and dues	100	100	165	(65)
Equipment repair	7,700	8,100	8,127	(27)
Equipment rental	13,130	13,130	6,434	6,696
Capital outlay	400	-	-	-
Total Dispatchers	367,895	325,895	292,620	33,275

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Project Safe Neighborhood:				
Salaries and wages	\$ 56.332	\$ 56.332	\$ 41.233	\$ 15.099
Fringe benefits	29.513	29.513	19.617	9.896
Clothing	200	200	-	200
Transportation	3.000	3.000	7.560	(4.560)
Telephone	600	600	495	105
Total Project Safe Neighborhood	89.645	89.645	68.905	20.740
Total Public Safety	3.942.807	3.923.756	3.825.060	98.696
Highways, Streets and Public Works:				
City Engineer:				
Salaries and wages	145.944	129.670	121.542	8.128
Fringe benefits	62.128	55.976	54.991	985
Professional services	2.000	2.000	4	1.996
Office supplies	3.000	3.000	2.112	888
Communications	1.300	1.300	1.067	233
Transportation	900	900	182	718
Insurance and bonds	200	200	153	47
Memberships and dues	100	100	-	100
Meetings	500	500	114	386
Equipment repair	600	600	223	377
Equipment rental	9.800	9.800	11.874	(2,074)
New equipment	800	800	-	800
Total City Engineer	227.272	204.846	192.262	12.584
Care of Trees and Shrubs:				
Salaries and wages	52.498	52.498	35.974	16.524
Fringe benefits	23.587	23.587	14.446	9,141
Professional services	2.000	2.000	-	2,000
Office supplies	2.000	2.000	2.593	(593)
Equipment repair	2.000	2.000	2.109	(109)
Equipment rental	15.000	15.000	16.469	(1.469)
New equipment	-	-	285	(285)
Total Care of Trees and Shrubs	97.085	97.085	71.876	25,209
Planning Commission:				
Professional services	-	15.000	14.976	24
Office supplies	300	300	152	148
Transportation	300	300	108	192
Printing and publishing	1.200	1,200	984	216
Meetings	500	500	35	465
Books, magazines and periodicals	225	225	23	202
Total Planning Commission	2.525	17.525	16.278	1.247
Street Lighting	112.000	138.000	136.648	1,352
Crosswalks	5.000	6.000	7.564	(1.564)
Sidewalks:				
Salaries and wages	-	-	5.432	(5.432)
Fringe benefits	-	-	1.242	(1.242)
Professional services	30.000	29.000	2.523	26.477
Operating supplies	-	-	2.302	(2.302)

See accompany notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Printing and publishing	\$ -	\$ -	\$ 80	\$ (80)
Insurance and bonds	2,700	2,700	1,921	779
Equipment rental	-	-	3,232	(3,232)
Overhead on salaries and wages	-	-	1,078	(1,078)
Total Sidewalks	32,700	31,700	17,810	13,890
Crossing Guards	30,500	30,500	29,683	817
Less administrative charge to street funds	(27,000)	-	-	-
Total Highways, Streets and Public Works	480,082	525,656	472,121	53,535
Sanitation:				
Sanitary landfill:				
Professional services	222,000	222,000	214,950	7,050
Mulching:				
Salaries and wages	52,111	52,111	46,167	5,944
Fringe benefits	26,582	26,582	16,626	9,956
Office supplies	100	100	72	28
Printing and publishing	500	500	920	(420)
Public utilities	600	600	520	80
Equipment rental	56,000	91,000	90,773	227
Total Mulching	135,893	170,893	155,078	15,815
Snow Plowing:				
Salaries and wages	2,891	3,891	3,716	175
Fringe benefits	1,299	1,799	1,500	299
Office supplies	-	1,500	1,291	209
Equipment rental	3,000	7,000	6,845	155
Total Snow Plowing	7,190	14,190	13,352	838
Solid Waste Collection:				
Salaries and wages	238,450	220,000	210,924	9,076
Fringe benefits	132,328	120,208	116,019	4,189
Clothing	75	75	436	(361)
Office supplies	500	500	897	(397)
Printing and publishing	-	-	307	(307)
Education and training	-	-	25	(25)
Insurance and bonds	1,400	1,400	509	891
Equipment rental	80,000	90,000	87,511	2,489
Total Solid Waste Collection	452,753	432,183	416,628	15,555
Total Sanitation	817,836	839,266	800,008	39,258
Community Services:				
Professional services	10,000	10,000	10,000	-
Building rental	9,148	9,148	9,148	-
Total Community Services	19,148	19,148	19,148	-
Recreation:				
Band:				
Uniform maintenance	400	400	162	238
Professional services	30,385	30,385	31,405	(1,020)

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget			Variance with final budget Favorable (Unfavorable)
	Original	Final	Actual	
Office supplies	\$ 350	\$ 350	\$ 420	\$ (70)
Transportation	500	500	480	20
Printing and publishing	-	-	125	(125)
Public utilities	200	200	375	(175)
Building maintenance	200	200	75	125
Equipment repair	100	100	199	(99)
Equipment rental	400	400	360	40
Total Band	<u>32,535</u>	<u>32,535</u>	<u>33,601</u>	<u>(1,066)</u>
Parks:				
Salaries and wages	69,539	69,539	64,889	4,650
Fringe benefits	31,244	31,244	23,728	7,516
Clothing	-	-	76	(76)
Professional services	-	-	380	(380)
Office supplies	4,000	4,000	5,814	(1,814)
Building supplies	600	600	855	(255)
Insurance and bonds	1,100	1,100	863	237
Public utilities	8,000	12,500	12,331	169
Building maintenance	1,000	6,000	3,523	2,477
Equipment repair	1,500	12,000	1,850	10,150
Equipment rental	38,000	38,000	56,633	(18,633)
New equipment	600	600	640	(40)
Building improvements	-	-	6,403	(6,403)
Telephone	600	600	596	4
Total Parks	<u>156,183</u>	<u>176,183</u>	<u>178,581</u>	<u>(2,398)</u>
Recreation Department - Administration:				
Salaries and wages	47,807	44,362	52,856	(8,494)
Fringe benefits	16,715	15,867	12,764	3,103
Office supplies	2,300	2,300	3,390	(1,090)
Communications	1,500	1,500	1,441	59
Transportation	1,400	1,400	-	1,400
Printing and publishing	-	-	209	(209)
Equipment repair	200	200	-	200
Equipment rental	2,950	2,950	4,057	(1,107)
New equipment	-	-	755	(755)
Total Recreation Department - Administration	<u>72,872</u>	<u>68,579</u>	<u>75,472</u>	<u>(6,893)</u>
Summer Sports:				
Salaries and wages	45,290	45,290	43,995	1,295
Fringe benefits	16,027	16,027	15,742	285
Clothing	250	250	583	(333)
Professional services	500	500	-	500
Office supplies	4,000	4,000	4,313	(313)
Building supplies	100	100	-	100
Communications	600	600	400	200
Slam Fest volleyball	500	500	305	195
Printing and publishing	1,500	1,500	102	1,398
Education and training	-	-	97	(97)
Insurance and bonds	400	400	142	258
Public utilities	7,000	7,000	5,506	1,494
Building maintenance	4,300	4,300	3,743	557
Equipment repair	750	750	116	634

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Equipment rental	\$ 21,000	\$ 21,000	\$ 37,944	\$ (16,944)
New equipment	300	15,300	250	15,050
Building improvements	30,000	30,000	22,896	7,104
Total Summer Sports	132,517	147,517	136,134	11,383
Wading Pool:				
Salaries and wages	5,192	5,192	4,592	600
Fringe benefits	397	397	838	(441)
Fees and per diem	55	55	55	-
Professional services	300	300	131	169
Office supplies	1,450	1,450	653	797
Communications	450	450	425	25
Insurance and bonds	400	400	267	133
Public utilities	1,750	1,750	552	1,198
Building maintenance	1,000	1,000	2,548	(1,548)
Equipment repair	300	300	-	300
Equipment rental	100	100	28	72
Total Wading Pool	11,394	11,394	10,089	1,305
Winter Sports:				
Salaries and wages	27,078	27,078	11,326	15,752
Fringe benefits	9,312	9,312	4,772	4,540
Office supplies	400	400	200	200
Building supplies	200	200	45	155
Communications	900	900	757	143
Printing and publishing	500	500	-	500
Insurance and bonds	300	300	195	105
Public utilities	4,250	4,250	4,076	174
Building maintenance	1,100	1,100	612	488
Meetings	-	-	85	(85)
Equipment rental	6,000	6,000	3,349	2,651
Total Winter Sports	50,040	50,040	25,417	24,623
Beach:				
Salaries and wages	26,009	26,009	20,576	5,433
Fringe benefits	1,990	1,990	1,687	303
Clothing	400	400	207	193
Uniform maintenance	50	50	-	50
Professional services	400	400	95	305
Office supplies	950	950	309	641
Building supplies	500	500	442	58
Communications	1,200	1,200	1,369	(169)
Insurance and bonds	475	475	399	76
Public utilities	1,000	1,000	675	325
Building maintenance	500	500	181	319
Meetings	300	300	63	237
Equipment repair	300	300	-	300
Equipment rental	500	500	-	500
Total Beach	34,574	34,574	26,003	8,571
Civic Center Activities:				
Salaries and wages	43,034	43,034	35,766	7,268
Fringe benefits	7,694	7,694	6,367	1,327
Professional services	1,200	1,200	-	1,200

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
Office supplies	\$ 500	\$ 500	\$ 268	\$ 232
Operating supplies	200	200	-	200
Jackie Sorenson aerobics	5,500	5,500	4,964	536
Printing and publishing	1,500	1,500	522	978
Meetings	100	100	185	(85)
Equipment repair	1,500	1,500	1,032	468
New equipment	-	-	520	(520)
Total Civic Center Activities	61,228	61,228	49,624	11,604
Total Recreation	551,343	582,050	534,921	47,129
Cultural:				
Historical Society Building:				
Insurance and bonds	250	250	223	27
Other Functions:				
Insurance and bonds	12,000	12,000	10,694	1,306
TOTAL EXPENDITURES	6,983,039	7,108,867	6,806,438	302,429
EXCESS REVENUES (EXPENDITURES)	(536,939)	(662,767)	(325,801)	336,966
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	(90,349)	(90,349)
Operating transfers in:				
Electric Fund	463,624	463,624	463,624	-
Land Development Fund	60,000	60,000	60,000	-
Sanitary Landfill Fund	184,000	184,000	185,555	1,555
Operating transfers out:				
Library Fund	(207,000)	(207,000)	(207,000)	-
Parking Maintenance Fund	(15,000)	(15,000)	(14,186)	814
TOTAL OTHER FINANCING SOURCES (USES)	485,624	485,624	397,644	(87,980)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(51,315)	(177,143)	71,843	248,986
Fund balance, beginning of year	51,315	177,143	4,054,424	3,877,281
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 4,126,267	\$ 4,126,267

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State Grants:				
Gas and weight tax	\$ 745.000	\$ 745.000	\$ 699.359	\$ (45.641)
Winter maintenance	-	-	31.721	31.721
PA 48 annual maintenance fee	42.500	42.500	43.718	1.218
Danforth Road project	45.240	45.240	-	(45.240)
Miscellaneous:				
Interest earnings	18.000	18.000	23.784	5.784
TOTAL REVENUES	850.740	850.740	798.582	(52.158)
EXPENDITURES:				
Highways, Streets and Public Works:				
Preservation Streets:				
Patching and crack filling	49.533	49.533	47.704	1.829
Storm sewers	44.182	44.182	67.002	(22.820)
Grass and weed cutting	15.971	15.971	21.806	(5.835)
Sweeping and flushing	42.638	42.638	33.335	9.303
Street paving	97.500	110.000	107.876	2.124
Capital outlay	-	-	15.534	(15.534)
Total Preservation Streets	249.824	262.324	293.257	(30.933)
Traffic Services - Maintenance:				
Pavement markings and signs	110.513	98.013	63.891	34.122
Winter Maintenance:				
Snow removal	195.944	195.944	99.556	96.388
Snow plowing	78.349	78.349	64.827	13.522
Snow control	-	-	258	(258)
Ice control	43.942	43.942	53.938	(9.996)
Total Winter Maintenance	318.235	318.235	218.579	99.656
Administration Engineering and Record Keeping	72.232	56.232	64.519	(8.287)
TOTAL EXPENDITURES	750.804	734.804	640.246	94.558
EXCESS REVENUES (EXPENDITURES)	99.936	115.936	158.336	42.400
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	(9.792)	(9.792)
Operating transfers out:				
Local Street Fund	(100.000)	(100.000)	(100.000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(100.000)	(100.000)	(109.792)	(9.792)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(64)	15.936	48.544	32.608
Fund balance, beginning of year	64	-	627.855	627.855
FUND BALANCE, END OF YEAR	\$ -	\$ 15.936	\$ 676.399	\$ 660.463

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget		Actual	Variance with final budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State Grants:				
Gas and weight tax	\$ 275.000	\$ 275.000	\$ 261.529	\$ (13.471)
Miscellaneous:				
Interest earnings	8.000	8.000	10.862	2.862
Special assessments	7.000	7.000	4.482	(2.518)
TOTAL REVENUES	290.000	290.000	276.873	(13.127)
EXPENDITURES:				
Highways, Streets and Public Works:				
Preservation Streets:				
Patching and crack filling	53.030	53.030	35.531	17.499
Storm sewers	55.087	55.087	38.104	16.983
Sweeping and flushing	32.290	32.290	31.872	418
Blading	32.740	32.740	7.605	25.135
Dust control	11.273	11.273	7.398	3.875
Street paving	180.500	259.000	176.233	82.767
Total Preservation Streets	364.920	443.420	296.743	146.677
Traffic Services - Maintenance	18.742	18.742	26.591	(7.849)
Winter Maintenance:				
Snow removal	11.522	11.522	21.262	(9,740)
Snow plowing	56.233	56.233	47.094	9,139
Ice control	27,094	27,094	29,343	(2,249)
Total Winter Maintenance	94,849	94,849	97,699	(2,850)
Administration Engineering and Record Keeping	60,383	49,383	60,213	(10,830)
TOTAL EXPENDITURES	538.894	606.394	481.246	125.148
EXCESS REVENUES (EXPENDITURES)	(248.894)	(316.394)	(204.373)	112.021
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	-	(4.346)	(4,346)
Operating transfers in:				
Land Development Fund	66.000	66.000	21.804	(44,196)
Gas Retirement Fund	100.000	100.000	100.000	-
Major Street Fund	100.000	100.000	100.000	-
TOTAL OTHER FINANCING SOURCES (USES)	266.000	266.000	217.458	(48,542)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	17.106	(50,394)	13,085	63,479
Fund balance, beginning of year	-	50,394	334,252	283,858
FUND BALANCE, END OF YEAR	\$ 17,106	\$ -	\$ 347,337	\$ 347,337

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

CITY OF ESCANABA, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2006

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
ASSETS:			
Cash and equivalents	\$ 108,790	\$ -	\$ 108,790
Investments, at market	4,708,306	1,094,295	5,802,601
Receivables:			
Accounts, net of bad debt allowance	31,078	-	31,078
Mortgages, land contracts and other notes	1,866,519	-	1,866,519
Accrued interest	45,785	10,876	56,661
Due from other funds:			
Local Street Fund	11,538	-	11,538
Due from other governments:			
State of Michigan	126,190	-	126,190
Local units	9,825	-	9,825
Advances to other funds	336,000	-	336,000
Real estate held for resale	8,200	-	8,200
TOTAL ASSETS	\$ 7,252,231	\$ 1,105,171	\$ 8,357,402
LIABILITIES:			
Accounts payable	\$ 30,134	\$ -	\$ 30,134
Due to other funds:			
Waste Water Fund	11,538	-	11,538
General Fund	117,318	-	117,318
Health Insurance Fund	216	-	216
Deferred revenue	59,149	-	59,149
TOTAL LIABILITIES	218,355	-	218,355
FUND BALANCES:			
Reserved for:			
Principal	-	989,349	989,349
Capital improvements	-	115,822	115,822
Long-term notes receivable	1,866,519	-	1,866,519
Revolving loans	1,513,647	-	1,513,647
UPSET expenses	106,822	-	106,822
Land held for resale	8,200	-	8,200
Future DDA projects as listed in the TIF Development Plan	531,285	-	531,285
Unreserved:			
Undesignated	3,007,403	-	3,007,403
TOTAL FUND BALANCES	7,033,876	1,105,171	8,139,047
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,252,231	\$ 1,105,171	\$ 8,357,402

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES

For the year ended June 30, 2006

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes	\$ 259,186	\$ -	\$ 259,186
Local sources	249,897	-	249,897
State grants	52,146	-	52,146
Charges for services	458,408	-	458,408
Fines and forfeitures	29,015	-	29,015
Interest and dividends	-	52,184	52,184
Miscellaneous	494,964	-	494,964
TOTAL REVENUES	<u>1,543,616</u>	<u>52,184</u>	<u>1,595,800</u>
EXPENDITURES:			
Public safety	265,495	-	265,495
Highways, streets and public works	153,209	-	153,209
Community services	48,275	-	48,275
Cultural	486,309	-	486,309
Urban redevelopment and housing	3,761	-	3,761
Economic development	187,239	-	187,239
Debt service	76,374	-	76,374
TOTAL EXPENDITURES	<u>1,220,662</u>	<u>-</u>	<u>1,220,662</u>
EXCESS REVENUES (EXPENDITURES)	<u>322,954</u>	<u>52,184</u>	<u>375,138</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	(84,852)	(21,301)	(106,153)
Operating transfers in	221,186	-	221,186
Operating transfers out	(278,897)	(100,000)	(378,897)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(142,563)</u>	<u>(121,301)</u>	<u>(263,864)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	180,391	(69,117)	111,274
Fund balances, beginning of year	<u>6,853,485</u>	<u>1,174,288</u>	<u>8,027,773</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,033,876</u>	<u>\$ 1,105,171</u>	<u>\$ 8,139,047</u>

See accompanying notes to financial statements.

GENERAL FUND

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Cash and equivalents	\$ 8,647	\$ 5,063
Investments, at market	4,014,608	3,474,263
Receivables:		
Accounts, net of bad debt allowance	176,310	188,901
Contracts for rental property	4,846	1,599
Special assessments	25,771	43,232
Accrued interest	44,109	44,225
Due from other funds:		
Grants Fund	106,910	59,993
Sanitary Landfill Fund	10,408	8,402
Due from other governments:		
State of Michigan	226,811	236,655
Inventory	53,023	388,917
Prepaid expenses	12	1,603
TOTAL ASSETS	<u>\$ 4,671,455</u>	<u>\$ 4,452,853</u>
LIABILITIES:		
Accounts payable	\$ 171,364	\$ 94,119
Accrued salaries, wages and fringes	275,412	244,942
Due to other governments	50,840	5,756
Deferred revenue	47,572	53,612
TOTAL LIABILITIES	<u>545,188</u>	<u>398,429</u>
FUND BALANCES:		
Reserved for:		
Inventory	53,023	388,917
Prepaid expenditures	12	1,603
Unreserved:		
Undesignated	4,073,232	3,663,904
TOTAL FUND BALANCES	<u>4,126,267</u>	<u>4,054,424</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,671,455</u>	<u>\$ 4,452,853</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended June 30, 2006 and 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>2005</u>
REVENUES:				
Taxes	\$ 3,974,725	\$ 3,945,204	\$ (29,521)	\$ 3,862,055
Licenses and permits	1,000	1,612	612	1,306
Local sources	10,000	37,620	27,620	10,000
State grants	1,613,900	1,575,965	(37,935)	1,602,826
Federal sources	153,500	136,938	(16,562)	158,914
Charges for services	403,175	445,601	42,426	603,810
Fines and forfeitures	26,500	32,061	5,561	24,339
Miscellaneous	248,300	305,636	57,336	260,859
TOTAL REVENUES	<u>6,431,100</u>	<u>6,480,637</u>	<u>49,537</u>	<u>6,524,109</u>
EXPENDITURES:				
General government	1,206,741	1,144,263	62,478	1,286,835
Public safety	3,923,756	3,825,060	98,696	3,916,237
Highways, streets and public works	525,656	472,121	53,535	475,936
Sanitation	839,266	800,008	39,258	825,609
Community services	19,148	19,148	-	24,148
Recreation	582,050	534,921	47,129	528,150
Cultural	250	223	27	258
Other functions	12,000	10,694	1,306	10,951
TOTAL EXPENDITURES	<u>7,108,867</u>	<u>6,806,438</u>	<u>302,429</u>	<u>7,068,124</u>
EXCESS REVENUES (EXPENDITURES)	<u>(677,767)</u>	<u>(325,801)</u>	<u>351,966</u>	<u>(544,015)</u>
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	-	(90,349)	(90,349)	(32,217)
Operating transfers in	722,624	709,179	(13,445)	762,453
Operating transfers out	(222,000)	(221,186)	814	(304,305)
TOTAL OTHER FINANCING SOURCES (USES)	<u>500,624</u>	<u>397,644</u>	<u>(102,980)</u>	<u>425,931</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(177,143)</u>	<u>71,843</u>	<u>248,986</u>	<u>(118,084)</u>
Fund balance, beginning of year	<u>177,143</u>	<u>4,054,424</u>	<u>3,877,281</u>	<u>4,172,508</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 4,126,267</u>	<u>\$ 4,126,267</u>	<u>\$ 4,054,424</u>

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

CITY OF ESCANABA, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETJune 30, 2006 with comparative totals
for the year ended June 30, 2005

	Parking Maintenance Fund	Downtown Development Authority Fund	Brownfield Fund	Drug Law Enforcement Fund	Delta County Central Dispatch Authority Fund	Library Fund
ASSETS:						
Cash and equivalents	\$ -	\$ 1,968	\$ -	\$ 106,822	\$ -	\$ -
Investments, at market	1,467	550,398	12,641	17,889	31,700	14,617
Accounts, net of bad debt allowance	-	-	-	-	6,305	1,038
Mortgages, land contracts and other notes	-	-	-	-	-	-
Accrued interest	1	5,386	120	164	157	656
Due from other funds:						
Local Street Fund	-	-	-	-	-	-
Due from other governments:						
State of Michigan	-	-	-	-	-	10,445
Local units	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
Real estate held for resale	-	-	-	-	-	-
TOTAL ASSETS	\$ 1,468	\$ 557,752	\$ 12,761	\$ 124,875	\$ 38,162	\$ 26,756
LIABILITIES:						
Accounts payable	\$ -	\$ 22,087	\$ -	\$ 1,501	\$ -	\$ 5,371
Due to other funds:						
Waste Water Fund	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
Health Insurance Fund	-	-	-	-	-	-
Deferred revenue	-	4,380	-	-	38,162	-
TOTAL LIABILITIES	-	26,467	-	1,501	38,162	5,371
FUND BALANCES:						
Reserved for:						
Long term notes receivable	-	-	-	-	-	-
Revolving loans	-	-	-	-	-	-
UPSET expenses	-	-	-	106,822	-	-
Land held for resale	-	-	-	-	-	-
Future DDA projects as listed in the TIF Development Plan	-	531,285	-	-	-	-
Unreserved:						
Undesignated	1,468	-	12,761	16,552	-	21,385
TOTAL FUND BALANCES	1,468	531,285	12,761	123,374	-	21,385
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,468	\$ 557,752	\$ 12,761	\$ 124,875	\$ 38,162	\$ 26,756

See accompanying notes to financial statements.

Housing Rehab Fund	Grants Fund	UDAG/DIAL Grant Fund	E.D.A. Revolving Loan Fund	Farmers Home Grant Fund	M.S.C. Revolving Loan Fund II	Land Development Fund	Sanitary Landfill Fund	Totals	
								2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	108,790	\$ 108,318
97,927	-	1,107,297	1,016,933	76,442	482,969	1,299,110	(1,084)	4,708,306	4,353,885
-	-	-	-	-	-	-	23,735	31,078	22,230
-	-	934,449	623,813	-	308,257	-	-	1,866,519	1,988,706
758	-	10,321	9,330	730	4,415	12,522	1,225	45,785	47,870
-	-	-	-	-	-	11,538	-	11,538	-
-	115,745	-	-	-	-	-	-	126,190	97,930
-	9,825	-	-	-	-	-	-	9,825	344
-	-	-	-	-	-	336,000	-	336,000	341,000
-	-	-	-	-	-	8,200	-	8,200	8,200
<u>\$ 98,685</u>	<u>\$ 125,570</u>	<u>\$ 2,052,067</u>	<u>\$ 1,650,076</u>	<u>\$ 77,172</u>	<u>\$ 795,641</u>	<u>\$ 1,667,370</u>	<u>\$ 23,876</u>	<u>\$ 7,252,231</u>	<u>\$ 6,968,483</u>
\$ -	\$ 1,175	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30,134	\$ 9,568
-	-	-	-	-	-	11,538	-	11,538	-
-	106,910	-	-	-	-	-	10,408	117,318	68,395
-	216	-	-	-	-	-	-	216	33
-	16,607	-	-	-	-	-	-	59,149	37,002
-	124,908	-	-	-	-	11,538	10,408	218,355	114,998
-	-	934,449	623,813	-	308,257	-	-	1,866,519	1,976,580
-	-	-	1,026,263	-	487,384	-	-	1,513,647	1,357,749
-	-	-	-	-	-	-	-	106,822	106,218
-	-	-	-	-	-	8,200	-	8,200	8,200
-	-	-	-	-	-	-	-	531,285	522,449
98,685	662	1,117,618	-	77,172	-	1,647,632	13,468	3,007,403	2,882,289
98,685	662	2,052,067	1,650,076	77,172	795,641	1,655,832	13,468	7,033,876	6,853,485
<u>\$ 98,685</u>	<u>\$ 125,570</u>	<u>\$ 2,052,067</u>	<u>\$ 1,650,076</u>	<u>\$ 77,172</u>	<u>\$ 795,641</u>	<u>\$ 1,667,370</u>	<u>\$ 23,876</u>	<u>\$ 7,252,231</u>	<u>\$ 6,968,483</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

June 30, 2006 with comparative totals
for the year ended June 30, 2005

	Parking Maintenance Fund	Downtown Development Authority Fund	Brownfield Fund	Drug Law Enforcement Fund	Delta County Central Dispatch Authority Fund	Library Fund
REVENUES:						
Taxes	\$ -	\$ 257,341	\$ 1,845	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	214,333
State grants	-	-	-	-	-	20,811
Federal sources	-	-	-	-	-	-
Charges for services	16,859	-	-	-	259,438	-
Fines and forfeitures	-	-	-	10,117	-	18,898
Miscellaneous	26	25,349	538	2,839	176	19,222
TOTAL REVENUES	16,885	282,690	2,383	12,956	259,614	273,264
EXPENDITURES:						
Public safety	-	-	-	5,957	259,538	-
Highways, streets and public works	31,396	-	-	-	-	-
Community services	-	-	-	-	-	-
Cultural	-	-	-	-	-	486,309
Urban redevelopment and housing	-	-	-	-	-	-
Economic development	-	187,139	-	-	-	-
Debt service	-	76,374	-	-	-	-
TOTAL EXPENDITURES	31,396	263,513	-	5,957	259,538	486,309
EXCESS REVENUES (EXPENDITURES)	(14,511)	19,177	2,383	6,999	76	(213,045)
OTHER FINANCING SOURCES (USES):						
Gain (loss) on sale of investments	(8)	(10,341)	(223)	(279)	(76)	(1,480)
Operating transfers in	14,186	-	-	-	-	207,000
Operating transfers out	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	14,178	(10,341)	(223)	(279)	(76)	205,520
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(333)	8,836	2,160	6,720	-	(7,525)
Fund balances, beginning of year	1,801	522,449	10,601	116,654	-	28,910
FUND BALANCES, END OF YEAR	\$ 1,468	\$ 531,285	\$ 12,761	\$ 123,374	\$ -	\$ 21,385

See accompanying notes to financial statements.

Housing Rehab Fund	Grants Fund	UDAG/DIAL Grant Fund	E.D.A. Revolving Loan Fund	Farmers Home Grant Fund	M.S.C. Revolving Loan Fund II	Land Development Fund	Sanitary Landfill Fund	Totals	
								2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	259,186	\$ 245,610
-	11,834	-	-	-	-	23,730	-	249,897	411,099
-	31,335	-	-	-	-	-	-	52,146	83,992
-	-	-	-	-	-	-	-	-	332
-	-	-	-	-	-	-	182,111	458,408	194,232
-	-	-	-	-	-	-	-	29,015	43,473
21,806	4,929	107,463	69,990	3,393	34,793	200,995	3,445	494,964	427,005
21,806	48,098	107,463	69,990	3,393	34,793	224,725	185,556	1,543,616	1,405,743
-	-	-	-	-	-	-	-	265,495	15,270
-	-	-	-	-	-	121,682	131	153,209	71,369
-	48,275	-	-	-	-	-	-	48,275	306,851
-	-	-	-	-	-	-	-	486,309	515,304
392	-	772	843	-	1,754	-	-	3,761	169,156
-	-	-	-	100	-	-	-	187,239	87,318
-	-	-	-	-	-	-	-	76,374	79,546
392	48,275	772	843	100	1,754	121,682	131	1,220,662	1,244,814
21,414	(177)	106,691	69,147	3,293	33,039	103,043	185,425	322,954	160,929
(1,538)	-	(19,297)	(16,842)	(1,391)	(7,694)	(24,273)	(1,410)	(84,852)	(34,583)
-	-	-	-	-	-	-	-	221,186	265,141
-	-	-	-	-	-	(93,342)	(185,555)	(278,897)	(527,020)
(1,538)	-	(19,297)	(16,842)	(1,391)	(7,694)	(117,615)	(186,965)	(142,563)	(296,462)
19,876	(177)	87,394	52,305	1,902	25,345	(14,572)	(1,540)	180,391	(135,533)
78,809	839	1,964,673	1,597,771	75,270	770,296	1,670,404	15,008	6,853,485	6,989,018
\$ 98,685	\$ 662	\$ 2,052,067	\$ 1,650,076	\$ 77,172	\$ 795,641	\$ 1,655,832	\$ 13,468	\$ 7,033,876	\$ 6,853,485

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 559,991	\$ 466,136
Receivables:		
Accrued interest	5,169	5,053
Due from other governments:		
State of Michigan	<u>115,249</u>	<u>161,716</u>
TOTAL ASSETS	<u>\$ 680,409</u>	<u>\$ 632,905</u>
LIABILITIES:		
Accounts payable	<u>\$ 4,010</u>	<u>\$ 5,050</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>676,399</u>	<u>627,855</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 680,409</u>	<u>\$ 632,905</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 745,000	\$ 699,359	\$ (45,641)
Winter maintenance	-	31,721	31,721
PA 48 annual maintenance fee	42,500	43,718	1,218
Danforth Road project	45,240	-	(45,240)
Miscellaneous:			
Interest earnings	18,000	23,784	5,784
TOTAL REVENUES	850,740	798,582	(52,158)
EXPENDITURES:			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	49,533	47,704	1,829
Storm sewers	44,182	67,002	(22,820)
Grass and weed cutting	15,971	21,806	(5,835)
Sweeping and flushing	42,638	33,335	9,303
Street paving	110,000	107,876	2,124
Capital outlay	-	15,534	(15,534)
Total preservation streets	262,324	293,257	(30,933)
Traffic services - maintenance:			
Pavement markings and signs	98,013	63,891	34,122
Winter maintenance:			
Snow removal	195,944	99,556	96,388
Snow plowing	78,349	64,827	13,522
Snow control	-	258	(258)
Ice control	43,942	53,938	(9,996)
Total winter maintenance	318,235	218,579	99,656
Administration engineering and record keeping	56,232	64,519	(8,287)
TOTAL EXPENDITURES	734,804	640,246	94,558
EXCESS REVENUES (EXPENDITURES)	115,936	158,336	42,400
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(9,792)	(9,792)
Operating transfers out:			
Local Street Fund	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	(109,792)	(9,792)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	15,936	48,544	32,608
Fund balance, beginning of year	-	627,855	627,855
FUND BALANCE, END OF YEAR	\$ 15,936	\$ 676,399	\$ 660,463

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Investments, at market	\$ 305.303	\$ 291,610
Receivables:		
Special assessments	9.671	13,563
Accrued interest	2,445	2,593
Due from other funds:		
Waste Water Fund	11,538	-
Due from other governments:		
State of Michigan	43,117	42,564
TOTAL ASSETS	<u>\$ 372,074</u>	<u>\$ 350,330</u>
LIABILITIES:		
Accounts payable	\$ 3,528	\$ 2,515
Due to other funds:		
Land Development Fund	11,538	-
Deferred revenue	9,671	13,563
TOTAL LIABILITIES	<u>24,737</u>	<u>16,078</u>
FUND BALANCES		
Unreserved:		
Undesignated	347,337	334,252
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 372,074</u>	<u>\$ 350,330</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
State grants:			
Gas and weight tax	\$ 275.000	\$ 261.529	\$ (13.471)
Miscellaneous:			
Interest earnings	8.000	10.862	2.862
Special assessments	7.000	4.482	(2.518)
TOTAL REVENUES	290.000	276.873	(13.127)
EXPENDITURES:			
Highways, streets and public works:			
Preservation streets:			
Patching and crack filling	53.030	35.531	17.499
Storm sewers	55.087	38.104	16.983
Sweeping and flushing	32.290	31.872	418
Blading	32.740	7.605	25.135
Dust control	11.273	7.398	3.875
Street paving	259.000	176.233	82.767
Total preservation streets	443.420	296.743	146.677
Traffic services - maintenance	18.742	26.591	(7.849)
Winter maintenance:			
Snow removal	11.522	21.262	(9.740)
Snow plowing	56.233	47.094	9.139
Ice control	27.094	29.343	(2.249)
Total winter maintenance	94.849	97.699	(2.850)
Administration engineering and record keeping	49.383	60.213	(10.830)
TOTAL EXPENDITURES	606.394	481.246	125.148
EXCESS REVENUES (EXPENDITURES)	(316.394)	(204.373)	112.021
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(4.346)	(4.346)
Operating transfers in:			
Land Development Fund	66.000	21.804	(44.196)
Gas Retirement Fund	100.000	100.000	-
Major Street Fund	100.000	100.000	-
TOTAL OTHER FINANCING SOURCES (USES)	266.000	217.458	(48.542)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(50.394)	13.085	63.479
Fund balance, beginning of year	50.394	334.252	283.858
FUND BALANCE, END OF YEAR	\$ -	\$ 347.337	\$ 347.337

See accompanying notes to financial statement.

CITY OF ESCANABA, MICHIGAN

PARKING MAINTANANCE FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Investments, at market	\$ 1,467	\$ 1,768
Receivables:		
Accrued interest	<u>1</u>	<u>33</u>
TOTAL ASSETS	<u>\$ 1,468</u>	<u>\$ 1,801</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 1,468</u>	<u>\$ 1,801</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PARKING MAINTENANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services	\$ 17,500	\$ 16,859	\$ (641)
Miscellaneous:			
Interest earnings	<u>25</u>	<u>26</u>	<u>1</u>
TOTAL REVENUES	<u>17,525</u>	<u>16,885</u>	<u>(640)</u>
EXPENDITURES:			
Highways, streets and public works:			
DDA lot maintenance	17,500	17,210	290
Non-DDA lot maintenance	<u>15,350</u>	<u>14,186</u>	<u>1,164</u>
TOTAL EXPENDITURES	<u>32,850</u>	<u>31,396</u>	<u>1,454</u>
EXCESS REVENUES (EXPENDITURES)	<u>(15,325)</u>	<u>(14,511)</u>	<u>814</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(8)	(8)
Operating transfers in:			
General Fund	<u>15,000</u>	<u>14,186</u>	<u>(814)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,000</u>	<u>14,178</u>	<u>(822)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>(325)</u>	<u>(333)</u>	<u>(8)</u>
Fund balance, beginning of year	<u>325</u>	<u>1,801</u>	<u>1,476</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 1,468</u>	<u>\$ 1,468</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Cash and equivalents	\$ 1.968	\$ 2.100
Investments, at market	550.398	517.230
Accrued interest	<u>5.386</u>	<u>5.133</u>
TOTAL ASSETS	<u>\$ 557.752</u>	<u>\$ 524.463</u>
LIABILITIES:		
Accounts payable	\$ 22.087	\$ 2.014
Deferred revenue	<u>4.380</u>	<u>-</u>
TOTAL LIABILITIES	<u>26.467</u>	<u>2.014</u>
FUND BALANCES:		
Reserved for:		
Future DDA projects as listed in the TIF Development Plan	<u>531.285</u>	<u>522.449</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 557.752</u>	<u>\$ 524.463</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$ 245,000	\$ 257,341	\$ 12,341
Miscellaneous:			
Interest earnings	10,000	25,306	15,306
Other	-	43	43
TOTAL REVENUES	<u>255,000</u>	<u>282,690</u>	<u>27,690</u>
EXPENDITURES:			
Economic development:			
Salaries and wages	50,000	44,675	5,325
Fringe benefits	15,500	13,884	1,616
Supplies	7,750	7,638	112
Professional services	56,000	58,989	(2,989)
Communication	2,000	1,762	238
Transportation	2,000	1,310	690
Public relations	15,000	9,819	5,181
Printing & publishing	2,000	1,923	77
Insurance & bonds	1,200	950	250
Public utilities	3,400	2,661	739
Maintenance of parking lots	22,500	17,336	5,164
Capital outlay	80,000	10,335	69,665
Capital outlay - equipment	3,000	2,620	380
Building maintenance	7,500	6,871	629
Maintenance of sidewalks	-	2,680	(2,680)
Equipment maintenance	1,500	1,096	404
Equipment rental	1,850	421	1,429
Books, magazines & periodicals	750	563	187
Memberships & dues	700	190	510
Education and training	1,750	1,416	334
Total economic development	<u>274,400</u>	<u>187,139</u>	<u>87,261</u>
Debt service:			
Principal retirement	52,000	52,000	-
Interest charges	24,374	24,374	-
Total debt service	<u>76,374</u>	<u>76,374</u>	<u>-</u>
TOTAL EXPENDITURES	<u>350,774</u>	<u>263,513</u>	<u>87,261</u>
EXCESS REVENUES (EXPENDITURES)	<u>(95,774)</u>	<u>19,177</u>	<u>114,951</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(10,341)	(10,341)
Operating transfers out:			
Parking Maintenance Fund	(17,500)	-	17,500
TOTAL OTHER FINANCING SOURCES (USES)	<u>(17,500)</u>	<u>(10,341)</u>	<u>7,159</u>
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	<u>(113,274)</u>	<u>8,836</u>	<u>122,110</u>
Fund balance, beginning of year	<u>113,274</u>	<u>522,449</u>	<u>409,175</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 531,285</u>	<u>\$ 531,285</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BROWNFIELD FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 12,641	\$ 10,504
Receivables:		
Accrued interest	<u>120</u>	<u>97</u>
TOTAL ASSETS	<u>\$ 12,761</u>	<u>\$ 10,601</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 12,761</u>	<u>\$ 10,601</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BROWNFIELD FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Taxes	\$ -	\$ 1,845	\$ 1,845
Miscellaneous:			
Interest earnings	-	538	538
TOTAL REVENUES	-	2,383	2,383
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(223)	(223)
EXCESS REVENUES AND OTHER FINANCING SOURCES	-	2,160	2,160
Fund balance, beginning of year	-	10,601	10,601
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 12,761</u>	<u>\$ 12,761</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DRUG LAW ENFORCEMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Cash and equivalents:		
UPSET adjudicated funds	\$ 21,812	\$ 21,480
UPSET federal forfeiture	83,757	81,928
Non-adjudicated account	1,253	2,810
Investments, at market	17,889	10,296
Receivables:		
Accrued interest	164	140
TOTAL ASSETS	<u>\$ 124,875</u>	<u>\$ 116,654</u>
LIABILITIES:		
Accounts payable	<u>\$ 1,501</u>	<u>\$ -</u>
FUND BALANCES:		
Reserved for:		
UPSET expenses	106,822	106,218
Unreserved:		
Undesignated	<u>16,552</u>	<u>10,436</u>
TOTAL FUND BALANCES	<u>123,374</u>	<u>116,654</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 124,875</u>	<u>\$ 116,654</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DRUG LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Fines and forfeitures:			
Forfeiture revenue	\$ 126.000	\$ 10.117	\$ (115.883)
Miscellaneous:			
Interest earnings	<u>800</u>	<u>2.839</u>	<u>2.039</u>
TOTAL REVENUES	<u>126.800</u>	<u>12.956</u>	<u>(113.844)</u>
EXPENDITURES:			
Public safety:			
Transfers to UPSET	120.000	4.214	115.786
Supplies	<u>2.000</u>	<u>1.743</u>	<u>257</u>
TOTAL EXPENDITURES	<u>122.000</u>	<u>5.957</u>	<u>116.043</u>
EXCESS REVENUES (EXPENDITURES)	4.800	6.999	2.199
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(279)</u>	<u>(279)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	4.800	6.720	1.920
Fund balance, beginning of year	<u>-</u>	<u>116.654</u>	<u>116.654</u>
FUND BALANCE, END OF YEAR	<u>\$ 4.800</u>	<u>\$ 123.374</u>	<u>\$ 118.574</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
DELTA COUNTY CENTRAL DISPATCH AUTHORITY
BALANCE SHEET
June 30, 2006

	<u>June 30</u>
	<u>2006</u>
ASSETS:	
Investments, at market	\$ 31.700
Receivables:	
Accounts, net of bad debt allowance	6.305
Accrued interest	<u>157</u>
TOTAL ASSETS	<u>\$ 38.162</u>
LIABILITIES:	
Deferred revenue	<u>\$ 38.162</u>
FUND BALANCES:	
Unreserved:	
Undesignated	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 38.162</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DELTA COUNTY CENTRAL DISPATCH AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Charges for services:			
Service fees	\$ 297,600	\$ 259,438	\$ (38,162)
Miscellaneous:			
Interest earnings	<u>-</u>	<u>176</u>	<u>176</u>
TOTAL REVENUES	<u>297,600</u>	<u>259,614</u>	<u>(37,986)</u>
EXPENDITURES:			
Public safety:			
Salaries and wages	200,450	175,027	25,423
Fringe benefits	40,400	35,151	5,249
Overhead on salaries and wages	44,500	38,743	5,757
Travel expenses	520	453	67
Supplies	105	93	12
Equipment rental	6,400	5,570	830
Communication	2,300	2,006	294
Capital outlay	100	70	30
Equipment maintenance	1,570	1,366	204
Books, magazines & periodicals	200	137	63
Education and training	625	550	75
Office supplies	<u>430</u>	<u>372</u>	<u>58</u>
TOTAL EXPENDITURES	<u>297,600</u>	<u>259,538</u>	<u>38,062</u>
EXCESS REVENUES (EXPENDITURES)	<u>-</u>	<u>76</u>	<u>76</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(76)</u>	<u>(76)</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LIBRARY FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 14,617	\$ 23,002
Receivables:		
Accounts, net of bad debt allowance	1,038	-
Accrued interest	656	739
Due from other governments:		
State of Michigan	<u>10,445</u>	<u>12,534</u>
TOTAL ASSETS	<u>\$ 26,756</u>	<u>\$ 36,275</u>
LIABILITIES:		
Accounts payable	<u>\$ 5,371</u>	<u>\$ 7,365</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>21,385</u>	<u>28,910</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,756</u>	<u>\$ 36,275</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources:			
County contribution	\$ 56,500	\$ 72,769	\$ 16,269
Penal fines	155,000	141,564	(13,436)
State grants:			
State aid	24,000	20,811	(3,189)
Fines and forfeitures:			
Book fines	23,500	18,898	(4,602)
Miscellaneous:			
Contributions from private sources	6,000	12,373	6,373
Interest earnings	3,000	3,829	829
Other	1,000	3,020	2,020
TOTAL REVENUES	269,000	273,264	4,264
EXPENDITURES:			
Cultural:			
Salaries and wages	223,452	212,412	11,040
Fringe benefits	89,445	84,453	4,992
Supplies	11,100	13,451	(2,351)
Professional services	47,780	47,927	(147)
Communication	4,500	2,928	1,572
Transportation	2,000	3,480	(1,480)
Printing & publishing	250	109	141
Insurance & bonds	800	764	36
Office rental	80,328	80,328	-
Capital outlay - equipment	5,000	3,820	1,180
Equipment maintenance	2,950	2,653	297
Equipment rental	1,800	2,507	(707)
Books, magazines & periodicals	25,000	30,656	(5,656)
Memberships & dues	375	446	(71)
Education and training	500	270	230
Public relations	250	105	145
TOTAL EXPENDITURES	495,530	486,309	9,221
EXCESS REVENUES (EXPENDITURES)	(226,530)	(213,045)	13,485
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(1,480)	(1,480)
Operating transfers in:			
General Fund	207,000	207,000	-
TOTAL OTHER FINANCING SOURCES (USES)	207,000	205,520	(1,480)
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(19,530)	(7,525)	12,005
Fund balance, beginning of year	19,530	28,910	9,380
FUND BALANCE, END OF YEAR	\$ -	\$ 21,385	\$ 21,385

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 97,927	\$ 78,013
Receivables:		
Accrued interest	<u>758</u>	<u>796</u>
TOTAL ASSETS	<u>\$ 98,685</u>	<u>\$ 78,809</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 98,685</u>	<u>\$ 78,809</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HOUSING REHAB FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Miscellaneous:			
Loan principal repayments	\$ -	\$ 18,064	\$ 18,064
Interest earnings	-	<u>3,742</u>	<u>3,742</u>
TOTAL REVENUES	-	<u>21,806</u>	<u>21,806</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Rental rehabilitation	-	-	-
Administration	-	<u>392</u>	<u>(392)</u>
TOTAL EXPENDITURES	-	<u>392</u>	<u>(392)</u>
EXCESS REVENUES (EXPENDITURES)	-	21,414	21,414
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	<u>(1,538)</u>	<u>(1,538)</u>
EXCESS REVENUES(EXPENDITURES AND OTHER FINANCING USES)	-	19,876	19,876
Fund balance, beginning of year	-	<u>78,809</u>	<u>78,809</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 98,685</u>	<u>\$ 98,685</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Due from other governments:		
State of Michigan	\$ 115,745	\$ 85,396
Local units	<u>9,825</u>	<u>344</u>
TOTAL ASSETS	<u>\$ 125,570</u>	<u>\$ 85,740</u>
LIABILITIES:		
Accounts payable	\$ 1,175	\$ -
Due to other funds:		
General Fund	106,910	59,993
Health Insurance Fund	216	33
Deferred revenue	<u>16,607</u>	<u>24,875</u>
TOTAL LIABILITIES	<u>124,908</u>	<u>84,901</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>662</u>	<u>839</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 125,570</u>	<u>\$ 85,740</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Local sources	\$ 14,900	\$ 11,834	\$ (3,066)
State grants	47,600	31,335	(16,265)
Miscellaneous	<u>293,063</u>	<u>4,929</u>	<u>(288,134)</u>
TOTAL REVENUES	<u>355,563</u>	<u>48,098</u>	<u>(307,465)</u>
EXPENDITURES:			
Community services:			
North shore boat launch	4,800	1,970	2,830
Sandpoint Lighthouse restoration	50,000	37,922	12,078
FEMA tanker	2,400	2,468	(68)
Public Safety Communications Grant	5,300	986	4,314
North Shore fishing pier	<u>293,063</u>	<u>4,929</u>	<u>288,134</u>
TOTAL EXPENDITURES	<u>355,563</u>	<u>48,275</u>	<u>307,288</u>
EXCESS REVENUES (EXPENDITURES)	-	(177)	(177)
Fund balance, beginning of year	<u>-</u>	<u>839</u>	<u>839</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 662</u>	<u>\$ 662</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Investments, at market	\$ 1,107,297	\$ 988,489
Receivables:		
Mortgages, land contracts and other notes	934,449	966,262
Accrued interest	<u>10,321</u>	<u>9,922</u>
TOTAL ASSETS	<u>\$ 2,052,067</u>	<u>\$ 1,964,673</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	\$ 934,449	\$ 966,262
Unreserved:		
Undesignated	<u>1,117,618</u>	<u>998,411</u>
TOTAL FUND BALANCES	<u>\$ 2,052,067</u>	<u>\$ 1,964,673</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UDAG/DIAL GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 90.000	\$ 100.772	\$ 10.772
Other	10.000	6.691	(3.309)
TOTAL REVENUES	<u>100.000</u>	<u>107.463</u>	<u>7.463</u>
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	<u>1.000</u>	<u>772</u>	<u>228</u>
EXCESS REVENUES (EXPENDITURES)	99.000	106.691	7.691
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(19.297)</u>	<u>(19.297)</u>
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	99.000	87.394	(11.606)
Fund balance, beginning of year	<u>-</u>	<u>1.964.673</u>	<u>1.964.673</u>
FUND BALANCE, END OF YEAR	<u>\$ 99.000</u>	<u>\$ 2.052.067</u>	<u>\$ 1.953.067</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

E.D.A. REVOLVING LOAN FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 1,016,933	\$ 976,916
Receivables:		
Mortgages, land contracts and other notes	623,813	610,283
Accrued interest	<u>9,330</u>	<u>10,572</u>
TOTAL ASSETS	<u>\$ 1,650,076</u>	<u>\$ 1,597,771</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	\$ 623,813	\$ 610,283
Revolving loans	<u>1,026,263</u>	<u>987,488</u>
TOTAL FUND BALANCES	<u>\$ 1,650,076</u>	<u>\$ 1,597,771</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

E.D.A. REVOLVING LOAN FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 62.500	\$ 69.990	\$ 7.490
EXPENDITURES:			
Urban redevelopment and housing:			
Administration	2.000	843	1.157
EXCESS REVENUES (EXPENDITURES)	60.500	69.147	8.647
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(16.842)	(16.842)
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	60.500	52.305	(8.195)
Fund balance, beginning of year	-	1,597.771	1,597.771
FUND BALANCE, END OF YEAR	<u>\$ 60.500</u>	<u>\$ 1,650.076</u>	<u>\$ 1,589.576</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOMES GRANT FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Investments, at market	\$ 76,442	\$ 74,508
Receivables:		
Accrued interest	<u>730</u>	<u>762</u>
TOTAL ASSETS	<u>\$ 77,172</u>	<u>\$ 75,270</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>\$ 77,172</u>	<u>\$ 75,270</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

FARMERS HOMES GRANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 3,000	\$ 3,393	\$ 393
EXPENDITURES:			
Economic development:			
Administration	250	100	150
EXCESS REVENUES (EXPENDITURES)	2,750	3,293	543
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(1,391)	(1,391)
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	2,750	1,902	(848)
Fund balance, beginning of year	-	75,270	75,270
FUND BALANCE, END OF YEAR	<u>\$ 2,750</u>	<u>\$ 77,172</u>	<u>\$ 74,422</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
M.S.C. REVOLVING LOAN FUND II
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 482.969	\$ 365.234
Receivables:		
Mortgages, land contracts and other notes	308.257	400.035
Accrued interest	<u>4.415</u>	<u>5.027</u>
TOTAL ASSETS	<u>\$ 795.641</u>	<u>\$ 770.296</u>
FUND BALANCES:		
Reserved for:		
Long term notes receivable	\$ 308.257	\$ 400.035
Revolving loans	<u>487.384</u>	<u>370.261</u>
TOTAL FUND BALANCES	<u>\$ 795.641</u>	<u>\$ 770.296</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

M.S.C. REVOLVING LOAN FUND II
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Miscellaneous:			
Interest earnings	\$ 30,000	\$ 34,793	\$ 4,793
EXPENDITURES:			
Urban redevelopment and housing:			
Professional services	2,000	1,754	246
EXCESS REVENUES (EXPENDITURES)	<u>28,000</u>	<u>33,039</u>	<u>5,039</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	<u>-</u>	<u>(7,694)</u>	<u>(7,694)</u>
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	28,000	25,345	(2,655)
Fund balance, beginning of year	<u>-</u>	<u>770,296</u>	<u>770,296</u>
FUND BALANCE, END OF YEAR	<u>\$ 28,000</u>	<u>\$ 795,641</u>	<u>\$ 767,641</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Investments, at market	\$ 1,299,110	\$ 1,308,011
Receivables:		
Mortgages, land contracts and other notes	-	12,126
Accrued interest	12,522	13,383
Due from other funds:		
Local Street Fund	11,538	-
Advances to other funds	336,000	341,000
Real estate held for resale	8,200	8,200
TOTAL ASSETS	<u>\$ 1,667,370</u>	<u>\$ 1,682,720</u>
LIABILITIES:		
Accounts payable	\$ -	\$ 189
Due to other funds:		
Waste Water Fund	11,538	-
Deferred revenue	-	12,127
TOTAL LIABILITIES	<u>11,538</u>	<u>12,316</u>
FUND BALANCES:		
Reserved for:		
Land held for resale	8,200	8,200
Unreserved:		
Undesignated	<u>1,647,632</u>	<u>1,662,204</u>
TOTAL FUND BALANCES	<u>1,655,832</u>	<u>1,670,404</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,667,370</u>	<u>\$ 1,682,720</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

LAND DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local sources:			
Contributions from private sources	\$ 23,700	\$ 23,730	\$ 30
Miscellaneous:			
Interest earnings	70,000	77,142	7,142
Rents	-	4,978	4,978
Sale of property	106,000	118,737	12,737
Sale of sand/topsoil	<u>2,500</u>	<u>138</u>	<u>(2,362)</u>
TOTAL REVENUES	<u>202,200</u>	<u>224,725</u>	<u>22,525</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	12,500	11,851	649
Capital outlay	<u>114,250</u>	<u>109,831</u>	<u>4,419</u>
TOTAL EXPENDITURES	<u>126,750</u>	<u>121,682</u>	<u>5,068</u>
EXCESS REVENUES (EXPENDITURES)	<u>75,450</u>	<u>103,043</u>	<u>27,593</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(24,273)	(24,273)
Operating transfers out:			
Waste Water Fund	(34,000)	(11,538)	22,462
Local Street Fund	(66,000)	(21,804)	44,196
General Fund	<u>(60,000)</u>	<u>(60,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(160,000)</u>	<u>(117,615)</u>	<u>42,385</u>
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	(84,550)	(14,572)	69,978
Fund balance, beginning of year	<u>84,550</u>	<u>1,670,404</u>	<u>1,585,854</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 1,655,832</u>	<u>\$ 1,655,832</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

SANITARY LANDFILL FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ (1.084)	\$ (86)
Receivables:		
Accounts, net of bad debt allowance	23,735	22,230
Accrued interest	<u>1,225</u>	<u>1,266</u>
TOTAL ASSETS	<u>\$ 23,876</u>	<u>\$ 23,410</u>
LIABILITIES:		
Due to other funds:		
General Fund	<u>\$ 10.408</u>	<u>\$ 8.402</u>
FUND BALANCES:		
Unreserved:		
Undesignated	<u>13,468</u>	<u>15,008</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 23,876</u>	<u>\$ 23,410</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

SANITARY LANDFILL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Charges for services:			
Metered sales	\$ 180,000	\$ 182,111	\$ 2,111
Miscellaneous:			
Interest earnings	<u>4,000</u>	<u>3,445</u>	<u>(555)</u>
TOTAL REVENUES	<u>184,000</u>	<u>185,556</u>	<u>1,556</u>
EXPENDITURES:			
Highways, streets and public works:			
Professional services	100	100	-
Uncollectible accounts	<u>100</u>	<u>31</u>	<u>69</u>
TOTAL EXPENDITURES	<u>200</u>	<u>131</u>	<u>69</u>
EXCESS REVENUES (EXPENDITURES)	<u>183,800</u>	<u>185,425</u>	<u>1,625</u>
OTHER FINANCING SOURCES (USES):			
Gain (loss) on sale of investments	-	(1,410)	(1,410)
Operating transfers out:			
General Fund	<u>(184,000)</u>	<u>(185,555)</u>	<u>(1,555)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(184,000)</u>	<u>(186,965)</u>	<u>(2,965)</u>
EXCESS REVENUES (EXPENDITURES AND OTHER FINANCING USES)	(200)	(1,540)	(1,340)
Fund balance, beginning of year	<u>200</u>	<u>15,008</u>	<u>14,808</u>
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ 13,468</u>	<u>\$ 13,468</u>

See accompanying notes to financial statements.

ENTERPRISE FUNDS

CITY OF ESCANABA, MICHIGAN

ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWSFor the year ended June 30, 2006
with comparative totals for June 30, 2005

	Electric Utility Fund	Water Utility Fund	Waste Water Utility Fund	Marina Fund	Totals	
					2006	2005
CASH FLOWS FROM ACTIVITIES:						
Cash received from customers	\$ 14,111,029	\$ -	\$ -	\$ 239,499	\$ 14,350,528	\$ 12,558,692
Cash received from other funds for purchase of receivables	-	1,439,472	1,083,821	-	2,523,293	2,273,128
Cash received from other funds for services	-	-	6,547	-	6,547	5,116
Cash payments to suppliers for goods and services	(17,976,021)	(641,866)	(578,497)	(118,186)	(19,314,570)	(13,279,137)
Cash payments to employees for services	(569,420)	(536,021)	(323,117)	(82,634)	(1,511,192)	(1,576,046)
Cash payments to other funds for services	(22,525)	(27,182)	(28,170)	(8,807)	(86,684)	(66,440)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(4,456,937)	234,403	160,584	29,872	(4,032,078)	(84,687)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:						
Net interfund loan transactions	11,820	-	-	(16,820)	(5,000)	(4,000)
Operating transfers out	(463,624)	-	-	-	(463,624)	(522,347)
Operating transfers in	-	-	11,538	-	11,538	-
NET CASH PROVIDED (USED) FOR NON-CAPITAL FINANCING ACTIVITIES	(451,804)	-	11,538	(16,820)	(457,086)	(526,347)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:						
State revenue	-	-	-	-	-	250
Contribution of capital assets	64,636	-	-	-	64,636	40,578
Acquisition and construction of capital assets	(479,812)	(112,384)	(47,611)	-	(639,807)	(1,702,183)
Principal paid on revenue bond maturities	-	(110,000)	(115,000)	-	(225,000)	(225,000)
Interest paid	-	(64,625)	(29,244)	(18,014)	(111,883)	(117,284)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(415,176)	(287,009)	(191,855)	(18,014)	(912,054)	(2,003,639)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Gain (loss) on sale of investments	(338,325)	(8,839)	(40,525)	(1,089)	(388,778)	(194,002)
Interest received	920,692	22,776	100,893	2,784	1,047,145	1,099,039
Rent received	-	13,800	-	-	13,800	15,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	582,367	27,737	60,368	1,695	672,167	920,037
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(4,741,550)	(24,869)	40,635	(3,267)	(4,729,051)	(1,694,636)
Cash and equivalents, beginning of year	22,064,737	558,499	2,353,200	88,855	25,065,291	26,759,927
CASH AND EQUIVALENTS, END OF YEAR	\$ 17,323,187	\$ 533,630	\$ 2,393,835	\$ 85,588	\$ 20,336,240	\$ 25,065,291
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating income (loss)	\$ (2,484,362)	\$ 12,125	\$ (47,350)	\$ (38,770)	\$ (2,558,357)	\$ (1,782,930)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation and amortization	1,000,475	245,179	202,662	62,612	1,510,928	1,465,839
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	204,246	13,406	(7,925)	4,216	213,943	(597,387)
(Increase) decrease in inventory	(926,018)	(89,743)	2,762	(2,568)	(1,015,567)	(1,330,123)
(Increase) decrease in prepaid expenses	(33,520)	-	-	-	(33,520)	(62,249)
Increase (decrease) in accounts payable	(2,212,937)	53,897	2,475	4,382	(2,152,183)	2,210,852
Increase (decrease) in accruals	(6,606)	(461)	7,960	-	893	(2,091)
Increase (decrease) in customer deposits	1,785	-	-	-	1,785	13,402
Total adjustments	(1,972,575)	222,278	207,934	68,642	(1,473,721)	1,698,243
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (4,456,937)	\$ 234,403	\$ 160,584	\$ 29,872	\$ (4,032,078)	\$ (84,687)

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE BALANCE SHEET

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Current assets:		
Cash	\$ 42,412	\$ 1,326,845
Investments, at market	17,280,775	20,737,892
Receivables:		
Accounts	1,670,371	1,874,617
Accrued interest	174,022	219,672
Inventories, net of obsolescence allowance	2,614,925	1,688,907
Prepaid expenses	191,004	157,484
Total current assets	21,973,509	26,005,417
Advance to Marina Fund	12,292	24,112
Property, plant and equipment	28,399,840	27,950,958
Less accumulated depreciation	(20,107,542)	(19,137,997)
Net property, plant and equipment	8,292,298	8,812,961
TOTAL ASSETS	\$ 30,278,099	\$ 34,842,490
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 368,305	\$ 2,581,242
Customer deposits	170,359	168,574
Accrued salaries, wages and fringes	90,027	96,633
TOTAL LIABILITIES	628,691	2,846,449
NET ASSETS:		
Invested in capital assets, net of related debt	8,292,298	8,812,961
Unrestricted	21,357,110	23,183,080
TOTAL NET ASSETS	29,649,408	31,996,041
TOTAL LIABILITIES AND NET ASSETS	\$ 30,278,099	\$ 34,842,490

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

June 30, 2006 and 2005

	June 30	
	2006	2005
OPERATING REVENUES:		
Charges for services:		
Residential sales	\$ 2,639,429	\$ 2,549,235
Hot water sales	28,852	31,797
Electric heat sales	25,581	29,007
Commercial sales	3,508,675	3,386,231
Industrial sales	3,625,950	3,411,999
Municipal rate sales	430,375	423,355
Street lighting	114,101	112,804
Fuel surcharge	1,830,937	138,395
Generator capacity payments	124,274	865,333
Interchange revenue	1,473,259	1,833,710
Connection charges	18,063	20,094
Dusk to dawn lighting	46,693	46,446
Miscellaneous revenues	38,809	39,164
TOTAL OPERATING REVENUES	<u>13,904,998</u>	<u>12,887,570</u>
OPERATING EXPENSES:		
Production	13,795,806	11,597,331
Transmission and distribution	332,949	296,519
Customer service	38,992	23,114
Administrative and general	779,723	1,023,914
Provision for depreciation	1,000,475	956,830
Overhead to utilities	441,415	533,475
TOTAL OPERATING EXPENSES	<u>16,389,360</u>	<u>14,431,183</u>
OPERATING INCOME (LOSS)	<u>(2,484,362)</u>	<u>(1,543,613)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(338,325)	(170,173)
Interest earnings	875,042	952,719
Operating transfers out:		
Capital Projects Fund	-	(1,433)
General Fund	(463,624)	(518,048)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>73,093</u>	<u>263,065</u>
CHANGE IN NET ASSETS	<u>(2,411,269)</u>	<u>(1,280,548)</u>
Net assets, beginning of year	31,996,041	33,256,335
Add: Contributions to capital	<u>64,636</u>	<u>20,254</u>
NET ASSETS, END OF YEAR	<u>\$ 29,649,408</u>	<u>\$ 31,996,041</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWS

For the year ended June 30, 2006
with comparative totals for June 30, 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$14,111,029	\$12,347,199
Cash payments to suppliers for goods and services	(17,976,021)	(12,116,824)
Cash payments to employees for services	(569,420)	(506,776)
Cash payments to other funds for services	(22,525)	(14,178)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(4,456,937)</u>	<u>(290,579)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of interfund loans	11,820	11,364
Operating transfers out	(463,624)	(519,481)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES	<u>(451,804)</u>	<u>(508,117)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Contribution of capital assets	64,636	20,254
Acquisition and construction of capital assets	(479,812)	(1,473,921)
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	<u>(415,176)</u>	<u>(1,453,667)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(338,325)	(170,173)
Interest received	920,692	973,620
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>582,367</u>	<u>803,447</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(4,741,550)	(1,448,916)
Cash and equivalents, beginning of year	<u>22,064,737</u>	<u>23,513,653</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$17,323,187</u>	<u>\$22,064,737</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$(2,484,362)</u>	<u>\$(1,543,613)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,000,475	956,830
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	204,246	(553,763)
(Increase) decrease in inventories, net of obsolescence	(926,018)	(1,330,354)
(Increase) decrease in prepaid expenses	(33,520)	(62,249)
Increase (decrease) in accounts payable	(2,212,937)	2,222,093
Increase (decrease) in accruals	(6,606)	7,075
Increase (decrease) in customer deposits	1,785	13,402
Total adjustments	<u>(1,972,575)</u>	<u>1,253,034</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$(4,456,937)</u>	<u>\$ (290,579)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
COMPARATIVE SCHEDULE OF OPERATING EXPENSES

For the years ended June 30, 2006 and 2005

	June 30		Increase (Decrease)
	2006	2005	
OPERATING EXPENSES:			
Production:			
Equipment rental	\$ 1,900	\$ -	\$ 1,900
Power purchased	12,289,644	9,866,735	\$ 2,422,909
Standby power	1,074,133	1,324,976	(250,843)
Production expense	364,671	344,196	20,475
Management fees	36,620	34,339	2,281
Dispatching fees	28,838	27,085	1,753
Total production	<u>\$ 13,795,806</u>	<u>\$ 11,597,331</u>	<u>\$ 2,198,475</u>
Transmission and distribution:			
Supplies	\$ 1,439	\$ 519	\$ 920
Equipment rental	1,448	564	884
Building maintenance	1,160	15	1,145
Equipment maintenance	1,187	416	771
Pole painting	7,297	-	7,297
Operation of lines	103,756	58,796	44,960
Services on customer premises	6,146	6,140	6
Maintenance of equipment:			
Station equipment	10,703	11,494	(791)
Overhead system	58,505	57,146	1,359
Line transformers and devices	6,504	9,121	(2,617)
Services	33,468	32,087	1,381
Meters	45,099	57,897	(12,798)
Street lighting system	34,183	35,911	(1,728)
Underground system	19,679	23,412	(3,733)
Miscellaneous	2,375	3,001	(626)
Total transmission and distribution	<u>\$ 332,949</u>	<u>\$ 296,519</u>	<u>\$ 36,430</u>
Customer service:			
Salaries and wages	\$ 28,873	\$ 18,264	\$ 10,609
Equipment rental	10,119	4,850	5,269
Total customer service	<u>\$ 38,992</u>	<u>\$ 23,114</u>	<u>\$ 15,878</u>
Administrative and general:			
Salaries and wages	\$ 388,094	\$ 360,685	\$ 27,409
Fringe benefits	145,847	134,902	10,945
Supplies	3,143	1,547	1,596
Clothing supplies	3,644	3,806	(162)
Building supplies	1,504	1,612	(108)
Inventory management	10,102	-	10,102
Professional services	71,963	377,226	(305,263)
Transportation	11	33	(22)
Printing & publishing	1,250	-	1,250
Insurance & bonds	23,383	23,359	24
Public utilities	28,348	24,398	3,950
Building maintenance	22,482	21,339	1,143
Equipment maintenance	5,109	4,549	560
Equipment rental	9,058	8,764	294
Books, magazines & periodicals	601	251	350
Memberships & dues	14,444	13,695	749
Education and training	23,752	19,963	3,789
Provision for uncollectible accounts	2,311	(1,082)	3,393
Promotions	24,677	28,617	(3,940)
Miscellaneous	-	250	(250)
Total administrative and general	<u>\$ 779,723</u>	<u>\$ 1,023,914</u>	<u>\$ (244,191)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ELECTRIC UTILITY FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2006

	Balance 06/30/05	Additions	Retirements, Dispositions and Transfers	Balance 06/30/06
Operating plant:				
Structure and improvements	\$ 4,988,500	\$ 170,460	\$ -	\$ 5,158,960
Boiler plant equipment	1,467,166	-	-	1,467,166
Turbo generator units	1,315,044	-	-	1,315,044
Accessory work equipment	511,583	-	-	511,583
Miscellaneous power plant equipment	631,938	-	-	631,938
Office equipment power plant	275	-	-	275
Peaking generator	4,615,573	-	-	4,615,573
Pollution equipment	3,338,019	-	-	3,338,019
	<u>16,868,098</u>	<u>170,460</u>	<u>-</u>	<u>17,038,558</u>
Transmission system:				
Land clearing and right-of-way	65,432	-	-	65,432
Structures and improvements	488,869	-	-	488,869
Station equipment	698,195	-	-	698,195
Poles and fixtures	12,630	-	-	12,630
	<u>1,265,126</u>	<u>-</u>	<u>-</u>	<u>1,265,126</u>
Distribution system:				
Land and land rights	49,480	-	-	49,480
Structures and improvements	47,323	-	-	47,323
Station equipment	249,385	-	-	249,385
Poles, towers and fixtures	1,116,744	35,116	2,080	1,149,780
Overhead conductors and devices	1,020,715	84,932	-	1,105,647
Underground conduits	574,109	20,017	-	594,126
Underground conductors	736,593	35,590	-	772,183
Line transformers	1,763,917	21,878	2,000	1,783,795
New services	684,543	5,701	-	690,244
Meters	508,423	25,632	25,200	508,855
Installation on customer premises	72,877	633	-	73,510
Street lighting	737,600	3,049	-	740,649
Office equipment	92,217	4,355	1,650	94,922
Transportation equipment	492,820	74,225	-	567,045
Laboratory equipment	96,078	-	-	96,078
Electric building	1,451,274	-	-	1,451,274
Miscellaneous tools	64,759	4,178	-	68,937
Miscellaneous equipment	51,722	-	-	51,722
	<u>9,810,579</u>	<u>315,306</u>	<u>30,930</u>	<u>10,094,955</u>
Construction in progress	<u>7,155</u>	<u>1,201</u>	<u>7,155</u>	<u>1,201</u>
TOTALS	<u>\$27,950,958</u>	<u>\$ 486,967</u>	<u>\$ 38,085</u>	<u>\$28,399,840</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS
June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 415.802	\$ 443,680
Receivables:		
Accounts	183.832	197,238
Accrued interest	4,657	5,615
Chemical inventory	6,346	6,538
Inventories, net of obsolescence allowance	<u>89,935</u>	<u>-</u>
Total current assets	<u>700,572</u>	<u>653,071</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	<u>117,828</u>	<u>114,819</u>
Property, plant and equipment	13,473,015	13,360,631
Less accumulated depreciation	<u>(4,893,426)</u>	<u>(4,648,247)</u>
Net property, plant and equipment	<u>8,579,589</u>	<u>8,712,384</u>
TOTAL ASSETS	<u>\$ 9,397,989</u>	<u>\$ 9,480,274</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 77,294	\$ 23,397
Accrued salaries, wages and fringes	79,225	79,686
Accrued interest payable	15,812	16,500
Bonds payable:		
Current portion of revenue bonds	<u>115,000</u>	<u>110,000</u>
Total current liabilities	<u>287,331</u>	<u>229,583</u>
Long-term liabilities:		
Bonds payable	<u>2,415,000</u>	<u>2,530,000</u>
TOTAL LIABILITIES	<u>2,702,331</u>	<u>2,759,583</u>
NET ASSETS:		
Invested in capital assets, net of related debt	6,049,589	6,072,384
Unrestricted	528,241	533,488
Restricted:		
Revenue bond indentures	<u>117,828</u>	<u>114,819</u>
TOTAL NET ASSETS	<u>6,695,658</u>	<u>6,720,691</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,397,989</u>	<u>\$ 9,480,274</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	June 30	
	2006	2005
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,324,722	\$ 1,214,393
Flat rate sales	6,153	5,479
Hydrant rental	76,839	73,084
Reconnection fees	3,252	2,889
Miscellaneous revenues	15,100	22,803
TOTAL OPERATING REVENUES	<u>1,426,066</u>	<u>1,318,648</u>
OPERATING EXPENSES:		
Production	307,940	312,110
Transmission and distribution	160,518	135,678
Customer service	36,113	30,476
Administrative and general	512,536	467,187
Provision for depreciation	245,179	246,059
Overhead to utilities	151,655	186,318
TOTAL OPERATING EXPENSES	<u>1,413,941</u>	<u>1,377,828</u>
OPERATING INCOME (LOSS)	<u>12,125</u>	<u>(59,180)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(8,839)	(5,285)
Rent received	13,800	15,000
Interest earnings	21,818	24,010
Interest expense	(63,937)	(69,419)
Operating transfers out:		
Capital Projects Fund	-	(1,433)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(37,158)</u>	<u>(37,127)</u>
CHANGE IN NET ASSETS	(25,033)	(96,307)
Net assets, beginning of year	6,720,691	6,796,674
Add: contributed capital	-	20,324
NET ASSETS, END OF YEAR	<u>\$ 6,695,658</u>	<u>\$ 6,720,691</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWSFor the year ended June 30, 2006
with comparative totals for June 30, 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from other funds for purchase of receivables	\$ 1,439,472	\$ 1,282,266
Cash payments to suppliers for goods and services	(641,866)	(495,816)
Cash payments to employees for services	(536,021)	(621,634)
Cash payments to other funds for services	<u>(27,182)</u>	<u>(18,253)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>234,403</u>	<u>146,563</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	<u>-</u>	<u>(1,433)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Contribution of capital assets	-	20,324
Acquisition and construction of capital assets	(112,384)	(221,641)
Principal paid on revenue bond maturities	(110,000)	(110,000)
Interest paid on bonds	<u>(64,625)</u>	<u>(66,959)</u>
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(287,009)</u>	<u>(378,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(8,839)	(5,285)
Interest received	22,776	26,219
Rent received	<u>13,800</u>	<u>15,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>27,737</u>	<u>35,934</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(24,869)	(197,212)
Cash and equivalents, beginning of year	<u>558,499</u>	<u>755,711</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 533,630</u>	<u>\$ 558,499</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 12,125	\$ (59,180)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	245,179	246,059
Changes in assets and liabilities:		
(Increase) decrease in receivables	13,406	(36,382)
(Increase) decrease in inventories	(89,743)	1,333
Increase (decrease) in accounts payable	53,897	6,215
Increase (decrease) in accruals	<u>(461)</u>	<u>(11,482)</u>
Total adjustments	<u>222,278</u>	<u>205,743</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 234,403</u>	<u>\$ 146,563</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
COMPARATIVE SCHEDULE OF OPERATING EXPENSES

For the years ended June 30, 2006 and 2005

	June 30		Increase (Decrease)
	2006	2005	
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 173,360	\$ 163,969	\$ 9,391
Plant chemicals	72,344	68,971	3,373
Laboratory chemicals and supplies	21,162	14,591	6,571
Professional services	3,724	-	3,724
Diesel fuel	1,742	1,651	91
Repairs to structure - labor	26	-	26
Repairs to structures - supplies	1,285	25,101	(23,816)
Repairs to equipment - portable	34,232	37,309	(3,077)
Repairs to tanks	35	18	17
Equipment rental - structures and improvement	30	-	30
Equipment rental - maintenance of equipment	-	500	(500)
Total production	<u>\$ 307,940</u>	<u>\$ 312,110</u>	<u>\$ (4,170)</u>
Transmission and distribution:			
Labor	\$ 116,768	\$ 107,045	\$ 9,723
Supplies	26,385	16,000	10,385
Equipment rental	17,365	12,633	4,732
Total transmission and distribution	<u>\$ 160,518</u>	<u>\$ 135,678</u>	<u>\$ 24,840</u>
Customer service:			
Labor	\$ 24,943	\$ 24,215	\$ 728
Supplies	3,835	2,260	1,575
Thawing water services	-	291	(291)
Equipment rental	7,335	3,710	3,625
Total customer service	<u>\$ 36,113</u>	<u>\$ 30,476</u>	<u>\$ 5,637</u>
Administrative and general:			
Salaries and wages	\$ 115,360	\$ 118,959	\$ (3,599)
Telephone	4,446	3,657	789
Overhead on salaries and wages	107,475	95,726	11,749
Life and hospital insurance	105,129	100,238	4,891
Supplies - miscellaneous	2,413	1,042	1,371
Office supplies	752	1,026	(274)
Building supplies	748	1,019	(271)
Professional services	1,575	570	1,005
Special services	5,047	4,398	649
Miss Dig	14,695	15,338	(643)
Travel expense, auto allowance	2,306	972	1,334
Printing and publishing	3,395	3,192	203
Insurance and bonds	17,057	18,060	(1,003)
Utilities - electric	76,640	62,651	13,989
Utilities - gas	41,896	29,425	12,471
Utilities - wastewater	6,547	5,116	1,431
Repairs to structures	530	787	(257)
Repairs to equipment	444	423	21
Rental of equipment	2,452	1,410	1,042
Uncollectible accounts	247	(127)	374
Memberships and dues	400	750	(350)
Education and training	2,867	2,159	708
Books, magazines and periodicals	-	396	(396)
Capital outlay	115	-	115
Total administrative and general	<u>\$ 512,536</u>	<u>\$ 467,187</u>	<u>\$ 45,349</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2006

CITY OF ESCANABA DRINKING WATER PROGRAM
PROJECT #7009-01 - ISSUED JUNE 27, 2002

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2006	\$ 115,000	\$ 31,625	\$ 146,625
April 1, 2007	-	30,188	30,188
October 1, 2007	115,000	30,188	145,188
April 1, 2008	-	28,750	28,750
October 1, 2008	120,000	28,750	148,750
April 1, 2009	-	27,250	27,250
October 1, 2009	120,000	27,250	147,250
April 1, 2010	-	25,750	25,750
October 1, 2010	125,000	25,750	150,750
April 1, 2011	-	24,187	24,187
October 1, 2011	130,000	24,187	154,187
April 1, 2012	-	22,563	22,563
October 1, 2012	130,000	22,563	152,563
April 1, 2013	-	20,937	20,937
October 1, 2013	135,000	20,937	155,937
April 1, 2014	-	19,250	19,250
October 1, 2014	135,000	19,250	154,250
April 1, 2015	-	17,563	17,563
October 1, 2015	140,000	17,563	157,563
April 1, 2016	-	15,812	15,812
October 1, 2016	145,000	15,812	160,812
April 1, 2017	-	14,000	14,000
October 1, 2017	150,000	14,000	164,000
April 1, 2018	-	12,125	12,125
October 1, 2018	150,000	12,125	162,125
April 1, 2019	-	10,250	10,250
October 1, 2019	155,000	10,250	165,250
April 1, 2020	-	8,313	8,313
October 1, 2020	160,000	8,313	168,313
April 1, 2021	-	6,312	6,312
October 1, 2021	165,000	6,312	171,312
April 1, 2022	-	4,250	4,250
October 1, 2022	170,000	4,250	174,250
April 1, 2023	-	2,125	2,125
October 1, 2023	<u>170,000</u>	<u>2,125</u>	<u>172,125</u>
	<u>\$2,530,000</u>	<u>\$ 610,875</u>	<u>\$3,140,875</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WATER UTILITY FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2006

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance 06/30/06</u>
Land	\$ 5,600	\$ -	\$ -	\$ 5,600
Filter plant	6,162,286	68,593	-	6,230,879
Water towers	556,356	-	-	556,356
Lake intake	9,947	-	-	9,947
Fountain	4,410	-	-	4,410
Wells	76,068	-	-	76,068
Electric pumping equipment	188,426	-	-	188,426
Purification system	77,805	-	-	77,805
Transmission mains	572,019	-	-	572,019
Distribution mains	5,016,934	14,986	-	5,031,920
Meters	363,433	14,305	-	377,738
Hydrants	83,562	-	-	83,562
Office furniture and equipment	77,939	-	-	77,939
Laboratory equipment	38,242	-	-	38,242
Miscellaneous equipment	16,799	-	-	16,799
Tools and works equipment	<u>110,805</u>	<u>-</u>	<u>-</u>	<u>110,805</u>
Subtotal	13,360,631	97,884	-	13,458,515
Construction in progress	<u>-</u>	<u>14,500</u>	<u>-</u>	<u>14,500</u>
TOTALS	<u>\$13,360,631</u>	<u>\$ 112,384</u>	<u>\$ -</u>	<u>\$13,473,015</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 2,162,515	\$ 2,122,691
Receivables:		
Accounts	143,951	136,026
Accrued interest	21,327	22,918
Due from other funds	11,538	-
Chemical inventory	<u>3,997</u>	<u>6,759</u>
Total current assets	<u>2,343,328</u>	<u>2,288,394</u>
Restricted assets:		
Operation and maintenance account:		
Equity in pooled cash and investments	95,470	94,659
Replacement account:		
Equity in pooled cash and investments	50,000	50,000
Bond reserve account:		
Investments, at market	<u>85,850</u>	<u>85,850</u>
Total restricted assets	<u>231,320</u>	<u>230,509</u>
Property, plant and equipment	11,618,027	11,582,659
Less accumulated depreciation	<u>(4,836,443)</u>	<u>(4,646,024)</u>
Net property, plant and equipment	<u>6,781,584</u>	<u>6,936,635</u>
TOTAL ASSETS	<u>\$ 9,356,232</u>	<u>\$ 9,455,538</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 5,417	\$ 2,942
Accrued salaries, wages and fringes	79,319	71,359
Accrued interest payable	7,010	7,613
Due to other funds:		
Local Street Fund	11,538	-
Payable from restricted assets:		
Current portion of revenue bonds	<u>115,000</u>	<u>115,000</u>
Total current liabilities	<u>218,284</u>	<u>196,914</u>
Long-term liabilities:		
Revenue bonds payable	<u>1,200,000</u>	<u>1,315,000</u>
TOTAL LIABILITIES	<u>1,418,284</u>	<u>1,511,914</u>
NET ASSETS:		
Invested in capital assets, net of related debt	5,466,584	5,506,635
Unrestricted	2,240,044	2,206,480
Restricted:		
Revenue bond indentures	<u>231,320</u>	<u>230,509</u>
TOTAL NET ASSETS	<u>7,937,948</u>	<u>7,943,624</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,356,232</u>	<u>\$ 9,455,538</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	June 30	
	2006	2005
OPERATING REVENUES:		
Charges for services:		
Metered sales	\$ 1,077,290	\$ 991,618
Interdepartmental sales	6,547	5,116
Reconnection fees	2,346	2,184
Miscellaneous revenues	12,110	8,183
TOTAL OPERATING REVENUES	<u>1,098,293</u>	<u>1,007,101</u>
OPERATING EXPENSES:		
Production	288,854	275,434
Transmission and distribution	113,227	87,878
Station	26,514	25,431
Customer service	25,789	23,501
Administrative and general	346,509	354,919
Provision for depreciation	202,662	200,214
Overhead to utilities	142,088	168,537
TOTAL OPERATING EXPENSES	<u>1,145,643</u>	<u>1,135,914</u>
OPERATING INCOME (LOSS)	<u>(47,350)</u>	<u>(128,813)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(40,525)	(17,887)
Interest earnings	99,302	93,823
Interest expense	(28,641)	(31,053)
Operating transfers in:		
Land Development Fund	11,538	-
Operating transfers out:		
Capital Projects Fund	-	(1,433)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>41,674</u>	<u>43,450</u>
CHANGE IN NET ASSETS	(5,676)	(85,363)
Net assets, beginning of year	<u>7,943,624</u>	<u>8,028,987</u>
NET ASSETS, END OF YEAR	<u>\$ 7,937,948</u>	<u>\$ 7,943,624</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
COMPARATIVE STATEMENT OF CASH FLOWSFor the year ended June 30, 2006
with comparative totals for June 30, 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from other funds for purchase of receivables	\$ 1,083,821	\$ 990,862
Cash received from other funds for services	6,547	5,116
Cash payments to suppliers for goods and services	(578,497)	(568,361)
Cash payments to employees for services	(323,117)	(342,690)
Cash payments to other funds for services	(28,170)	(30,274)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>160,584</u>	<u>54,653</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating transfers out	-	(1,433)
Operating transfers in	<u>11,538</u>	<u>-</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>11,538</u>	<u>(1,433)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(47,611)	(6,621)
Principal paid on revenue bond maturities	(115,000)	(115,000)
Interest paid on revenue bonds	(29,244)	(31,656)
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(191,855)</u>	<u>(153,277)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(40,525)	(17,887)
Interest received	<u>100,893</u>	<u>95,907</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>60,368</u>	<u>78,020</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	40,635	(22,037)
Cash and equivalents, beginning of year	<u>2,353,200</u>	<u>2,375,237</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 2,393,835</u>	<u>\$ 2,353,200</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (47,350)	\$ (128,813)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation & amortization	202,662	200,214
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(7,925)	(11,123)
(Increase) decrease in chemical inventory and prepaids	2,762	1,264
Increase (decrease) in accounts payable	2,475	(9,205)
Increase (decrease) in accruals	<u>7,960</u>	<u>2,316</u>
Total adjustments	<u>207,934</u>	<u>183,466</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 160,584</u>	<u>\$ 54,653</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WASTE WATER UTILITY FUND
COMPARATIVE SCHEDULE OF OPERATING EXPENSES
For the years ended June 30, 2006 and 2005

	<u>June 30</u>		Increase (Decrease)
	<u>2006</u>	<u>2005</u>	
OPERATING EXPENSES:			
Production:			
Salaries and wages	\$ 147,902	\$ 135,075	\$ 12,827
Supplies - miscellaneous	514	342	172
Plant chemicals	30,116	25,878	4,238
Laboratory chemicals and supplies	2,677	3,931	(1,254)
NPDES and permit testing	11,207	10,637	570
Sludge hauling	15,354	18,053	(2,699)
Sludge fee	1,458	1,424	34
Diesel fuel	1,138	703	435
Repairs to structure - labor	4,487	3,293	1,194
Repairs to structures - supplies	699	4,258	(3,559)
Repairs to equipment - outside vendors	1,089	1,276	(187)
Repairs to equipment - labor	53,068	46,079	6,989
Repairs to equipment - supplies	17,178	23,537	(6,359)
Rental of equipment	1,967	948	1,019
Total production	<u>\$ 288,854</u>	<u>\$ 275,434</u>	<u>\$ 13,420</u>
Transmission and distribution:			
Salaries and wages	\$ 20,880	\$ 24,729	\$ (3,849)
Fringe benefits	566	5	561
Supplies - miscellaneous	473	771	(298)
Repairs to structures - supplies	69,592	33,879	35,713
Rental of equipment	617	-	617
Rental of equipment	17,688	23,111	(5,423)
Repairs to structure - inspection	3,411	5,383	(1,972)
Total transmission and distribution	<u>\$ 113,227</u>	<u>\$ 87,878</u>	<u>\$ 25,349</u>
Station:			
Salaries and wages	\$ 10,278	\$ 10,072	\$ 206
Repairs to structures - supplies	-	63	(63)
Repairs to equipment - labor	7,381	4,805	2,576
Repairs to equipment - supplies	3,816	6,563	(2,747)
Rental of equipment	5,039	3,928	1,111
Total station	<u>\$ 26,514</u>	<u>\$ 25,431</u>	<u>\$ 1,083</u>
Customer service:			
Rental of equipment	\$ 2,419	\$ 1,319	\$ 1,100
Labor - metering and servicing	23,370	-	23,370
Labor - service to customers	-	22,182	(22,182)
Total customer service	<u>\$ 25,789</u>	<u>\$ 23,501</u>	<u>\$ 2,288</u>
Administrative and general:			
Salaries and wages	\$ 74,586	\$ 97,673	\$ (23,087)
Printing publishing	176	-	176
Telephone	3,107	2,646	461
Overhead on salaries and wages	83,499	78,635	4,864
Life and hospital insurance	76,865	77,452	(587)
Supplies - miscellaneous	63	83	(20)
Office supplies	209	743	(534)
Building supplies	779	635	144
Professional services	1,815	-	1,815
Special services	354	384	(30)
Miss Dig	284	278	6
Travel expense, auto allowance	1,249	2,291	(1,042)
Insurance and bonds	18,674	20,404	(1,730)
Utilities - electric	68,288	58,521	9,767
Utilities - gas	11,025	7,836	3,189

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
COMPARATIVE SCHEDULE OF OPERATING EXPENSES

For the years ended June 30, 2006 and 2005

	<u>June 30</u>		
	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Repairs to equipment	\$ 2,659	\$ 1,445	\$ 1,214
Rental of equipment	1,057	968	89
Uncollectible accounts	192	(96)	288
Memberships and dues	265	240	25
Education and training	<u>1,363</u>	<u>4,781</u>	<u>(3,418)</u>
Total administrative and general	<u>\$ 346,509</u>	<u>\$ 354,919</u>	<u>\$ (8,410)</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2006

CITY OF ESCANABA SEWAGE DISPOSAL SYSTEM REVENUE BOND
PROJECT #5149-01 ISSUED SEPTEMBER 29, 1998

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2006	2.25%	\$ 45,000	\$ 7.819	\$ 52.819
April 1, 2007	2.25%	-	7.313	7.313
October 1, 2007	2.25%	50,000	7.312	57.312
April 1, 2008	2.25%	-	6.750	6.750
October 1, 2008	2.25%	50,000	6.750	56.750
April 1, 2009	2.25%	-	6.188	6.188
October 1, 2009	2.25%	50,000	6.187	56.187
April 1, 2010	2.25%	-	5.625	5.625
October 1, 2010	2.25%	50,000	5.625	55.625
April 1, 2011	2.25%	-	5.063	5.063
October 1, 2011	2.25%	50,000	5.062	55.062
April 1, 2012	2.25%	-	4.500	4.500
October 1, 2012	2.25%	55,000	4.500	59.500
April 1, 2013	2.25%	-	3.881	3.881
October 1, 2013	2.25%	55,000	3.881	58.881
April 1, 2014	2.25%	-	3.263	3.263
October 1, 2014	2.25%	55,000	3.262	58.262
April 1, 2015	2.25%	-	2.644	2.644
October 1, 2015	2.25%	55,000	2.644	57.644
April 1, 2016	2.25%	-	2.025	2.025
October 1, 2016	2.25%	60,000	2.025	62.025
April 1, 2017	2.25%	-	1.350	1.350
October 1, 2017	2.25%	60,000	1.350	61.350
April 1, 2018	2.25%	-	675	675
October 1, 2018	2.25%	60,000	675	60,675
		<u>\$ 695,000</u>	<u>\$ 106,369</u>	<u>\$ 801,369</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2006

CITY OF ESCANABA SEWAGE DISPOSAL SYSTEM REVENUE BOND PROJECT #5069-01

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1, 2006	2.00%	\$ 70,000	\$ 6,200	\$ 76,200
April 1, 2007	2.00%	-	5,500	5,500
October 1, 2007	2.00%	75,000	5,500	80,500
April 1, 2008	2.00%	-	4,750	4,750
October 1, 2008	2.00%	75,000	4,750	79,750
April 1, 2009	2.00%	-	4,000	4,000
October 1, 2009	2.00%	75,000	4,000	79,000
April 1, 2010	2.00%	-	3,250	3,250
October 1, 2010	2.00%	80,000	3,250	83,250
April 1, 2011	2.00%	-	2,450	2,450
October 1, 2011	2.00%	80,000	2,450	82,450
April 1, 2012	2.00%	-	1,650	1,650
October 1, 2012	2.00%	80,000	1,650	81,650
April 1, 2013	2.00%	-	850	850
October 1, 2013	2.00%	85,000	850	85,850
		<u>\$ 620,000</u>	<u>\$ 51,100</u>	<u>\$ 671,000</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

WASTE WATER UTILITY FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2006

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/06</u>
Land	\$ 1,873	\$ -	\$ -	\$ 1,873
Structures and improvements	6,328,567	69,222	-	6,397,789
Tools and equipment	45,889	-	-	45,889
Mains	5,130,231	11,539	-	5,141,770
Purification equipment	2,762	-	-	2,762
Office furniture and equipment	<u>39,287</u>	<u>-</u>	<u>12,243</u>	<u>27,044</u>
Subtotal	11,548,609	80,761	12,243	11,617,127
Construction in progress	<u>34,050</u>	<u>-</u>	<u>33,150</u>	<u>900</u>
TOTALS	<u>\$11,582,659</u>	<u>\$ 80,761</u>	<u>\$ 45,393</u>	<u>\$11,618,027</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
MARINA FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	June 30	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Cash	\$ 17,586	\$ 21,073
Investments, at market	68,002	67,782
Accrued interest receivable	832	923
Receivables	2,439	6,655
Inventories, net of obsolescence allowance	<u>16,659</u>	<u>14,091</u>
Total current assets	<u>105,518</u>	<u>110,524</u>
Property, plant and equipment	2,617,372	2,617,372
Less accumulated depreciation	<u>(760,410)</u>	<u>(697,798)</u>
Net property, plant and equipment	<u>1,856,962</u>	<u>1,919,574</u>
TOTAL ASSETS	<u>\$ 1,962,480</u>	<u>\$ 2,030,098</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	<u>\$ 8,185</u>	<u>\$ 3,803</u>
Long-term liabilities:		
Advance from other funds:		
Electric Fund	12,292	24,112
Land Development Fund	<u>336,000</u>	<u>341,000</u>
Total long-term liabilities	<u>348,292</u>	<u>365,112</u>
TOTAL LIABILITIES	<u>356,477</u>	<u>368,915</u>
NET ASSETS:		
Invested in capital assets, net of related debt	1,508,670	1,554,462
Unrestricted	<u>97,333</u>	<u>106,721</u>
TOTAL NET ASSETS	<u>1,606,003</u>	<u>1,661,183</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,962,480</u>	<u>\$ 2,030,098</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	June 30	
	2006	2005
OPERATING REVENUES:		
Charges for services:		
Dock fees	\$ 143,928	\$ 142,407
Fuel and concession revenues	91,018	64,621
Miscellaneous:		
Other	337	584
TOTAL OPERATING REVENUES	<u>235,283</u>	<u>207,612</u>
OPERATING EXPENSES:		
Enterprises:		
Summer services:		
Salaries and wages	72,807	84,654
Fringe benefits	9,827	20,292
Fuel	76,927	51,197
Clothing	164	-
Uniform maintenance	-	86
Professional services	1,345	955
Office supplies	1,223	2,312
Building supplies	878	887
Communications	1,343	1,506
Transportation	-	637
Printing and publishing	1,325	820
Insurance and bonds	6,032	6,158
Public utilities	13,059	10,916
Building maintenance	5,160	5,413
Meetings	1,160	810
Equipment repair	1,296	1,127
Equipment rental	8,807	3,735
Weed harvesting	7,848	4,695
New equipment	2,240	-
Provision for depreciation	62,612	62,736
TOTAL OPERATING EXPENSES	<u>274,053</u>	<u>258,936</u>
OPERATING INCOME (LOSS)	<u>(38,770)</u>	<u>(51,324)</u>
NON-OPERATING REVENUES (EXPENSES):		
State grants:		
DNR grant Aronson Island	-	250
Gain (loss) on sale of investments	(1,089)	(657)
Interest earnings	2,693	3,051
Interest expense	(18,014)	(18,669)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(16,410)</u>	<u>(16,025)</u>
CHANGE IN NET ASSETS	(55,180)	(67,349)
Net assets, beginning of year	<u>1,661,183</u>	<u>1,728,532</u>
NET ASSETS, END OF YEAR	<u>\$ 1,606,003</u>	<u>\$ 1,661,183</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
STATEMENT OF CASH FLOWSFor the year ended June 30, 2006
with comparative totals for June 30, 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 239,499	\$ 211,493
Cash payments to suppliers for goods and services	(118,186)	(98,136)
Cash payments to employees for services	(82,634)	(104,946)
Cash payments to other funds for services	(8,807)	(3,735)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>29,872</u>	<u>4,676</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Repayment of interfund loans	<u>(16,820)</u>	<u>(15,364)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
State grants	-	250
Interest paid	<u>(18,014)</u>	<u>(18,669)</u>
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(18,014)</u>	<u>(18,419)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Gain (loss) on sale of investments	(1,089)	(657)
Interest earned	<u>2,784</u>	<u>3,293</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,695</u>	<u>2,636</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(3,267)	(26,471)
Cash and equivalents, beginning of year	<u>88,855</u>	<u>115,326</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 85,588</u>	<u>\$ 88,855</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (38,770)	\$ (51,324)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	62,612	62,736
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	4,216	3,881
(Increase) decrease in inventories	(2,568)	(2,366)
Increase (decrease) in accounts payable	<u>4,382</u>	<u>(8,251)</u>
Total adjustments	<u>68,642</u>	<u>56,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 29,872</u>	<u>\$ 4,676</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MARINA FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the year ended June 30, 2006

	<u>Balance</u> <u>06/30/05</u>	<u>Transfers</u> <u>and</u> <u>Additions</u>	<u>Retirements,</u> <u>Dispositions</u> <u>and</u> <u>Transfers</u>	<u>Balance</u> <u>06/30/06</u>
Boat Launch/Parking Lots:				
Boat launch/parking lot	\$ 63,955	\$ -	\$ -	\$ 63,955
Skid Pier	5,972	-	-	5,972
Solar lighting	12,757	-	-	12,757
Furniture, Fixtures and Equipment	7,502	-	-	7,502
Marina Docks, Piers and Walls:				
12 floating piers, revetment wall and fuel system	328,314	-	-	328,314
Barge docks	13,075	-	-	13,075
Two 550' piers and revetment wall	770,982	-	-	770,982
Mooring buoys	7,816	-	-	7,816
Transitional anchoring system	42,369	-	-	42,369
Various upgrades	30,453	-	-	30,453
Revetment wall	346,067	-	-	346,067
Harbor Master Building:				
Harbor master building	579,152	-	-	579,152
Parking lot and landscaping	<u>408,958</u>	<u>-</u>	<u>-</u>	<u>408,958</u>
TOTALS	<u>\$ 2,617,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,617,372</u>

See accompanying notes to financial statements.

INTERNAL SERVICE FUNDS

CITY OF ESCANABA, MICHIGAN

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention Fund	Dental Fund	Health Insurance Fund
ASSETS:						
Current assets:						
Investments, at market	\$ 369,497	\$ 1,022,712	\$ 55,378	\$ 59,181	\$ 5,905	\$ 109,027
Receivables:						
Accrued interest	3,276	9,402	476	597	28	365
Due from other funds:						
Grants Fund	-	-	-	-	-	216
Prepaid expenses	56,808	-	-	50,069	134	87,581
Cash on deposit	-	-	-	-	12,000	19,375
Total current assets	<u>429,581</u>	<u>1,032,114</u>	<u>55,854</u>	<u>109,847</u>	<u>18,067</u>	<u>216,564</u>
Property, plant and equipment:						
Property, plant and equipment	7,376,582	4,730,268	298,716	-	-	-
Less accumulated depreciation	<u>(1,859,185)</u>	<u>(3,564,964)</u>	<u>(154,372)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net property, plant and equipment	<u>5,517,397</u>	<u>1,165,304</u>	<u>144,344</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,946,978</u>	<u>\$ 2,197,418</u>	<u>\$ 200,198</u>	<u>\$ 109,847</u>	<u>\$ 18,067</u>	<u>\$ 216,564</u>
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 1,028	\$ 8,897	\$(1,258)	\$ -	\$ -	\$ 68,915
Claims payable	-	-	-	3,255	22,478	-
Accrued salaries, wages and fringes	-	23,357	-	-	-	-
Accrued interest payable	46,864	-	-	-	-	-
Bonds payable	150,000	-	-	-	-	-
Total current liabilities	<u>197,892</u>	<u>32,254</u>	<u>(1,258)</u>	<u>3,255</u>	<u>22,478</u>	<u>68,915</u>
Long-term liabilities:						
Bonds payable	<u>3,410,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,607,892</u>	<u>32,254</u>	<u>(1,258)</u>	<u>3,255</u>	<u>22,478</u>	<u>68,915</u>
NET ASSETS:						
Invested in capital assets, net of related debt	1,957,397	1,165,304	144,344	-	-	-
Unrestricted	<u>381,689</u>	<u>999,860</u>	<u>57,112</u>	<u>106,592</u>	<u>(4,411)</u>	<u>147,649</u>
TOTAL NET ASSETS	<u>2,339,086</u>	<u>2,165,164</u>	<u>201,456</u>	<u>106,592</u>	<u>(4,411)</u>	<u>147,649</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,946,978</u>	<u>\$ 2,197,418</u>	<u>\$ 200,198</u>	<u>\$ 109,847</u>	<u>\$ 18,067</u>	<u>\$ 216,564</u>

See accompanying notes to financial statements.

Worker's Compensa- tion Fund	Unemployment Compensation Fund	Totals	
		2006	2005
\$ 1,047,367	\$ 410,042	\$ 3,079,109	\$ 3,116,601
10,304	3,939	28,387	30,856
-	-	216	33
-	-	194,592	189,019
-	-	31,375	31,375
<u>1,057,671</u>	<u>413,981</u>	<u>3,333,679</u>	<u>3,367,884</u>
-	-	12,405,566	12,316,566
-	-	(5,578,521)	(5,326,261)
-	-	6,827,045	6,990,305
<u>\$ 1,057,671</u>	<u>\$ 413,981</u>	<u>\$ 10,160,724</u>	<u>\$ 10,358,189</u>

\$ 3,978	\$ -	\$ 81,560	\$ 81,221
325,000	13,141	363,874	354,662
-	-	23,357	31,926
-	-	46,864	47,728
-	-	150,000	150,000
<u>328,978</u>	<u>13,141</u>	<u>665,655</u>	<u>665,537</u>
-	-	3,410,000	3,560,000
<u>328,978</u>	<u>13,141</u>	<u>4,075,655</u>	<u>4,225,537</u>
-	-	3,267,045	3,280,305
<u>728,693</u>	<u>400,840</u>	<u>2,818,024</u>	<u>2,852,347</u>
<u>728,693</u>	<u>400,840</u>	<u>6,085,069</u>	<u>6,132,652</u>
<u>\$ 1,057,671</u>	<u>\$ 413,981</u>	<u>\$ 10,160,724</u>	<u>\$ 10,358,189</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention Fund	Dental Fund	Health Insurance Fund
OPERATING REVENUES:						
Retiree contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,186
Cobra contributions	-	-	-	-	-	50,378
City's contribution for employees	-	-	-	-	108,653	1,155,110
Employee insurance co-pay	-	-	-	-	-	2,173
Equipment rental	-	912,033	55,410	-	-	-
Provision for self insurance	-	-	-	166,677	-	-
Miscellaneous	500,092	5,353	-	-	-	-
TOTAL OPERATING REVENUES	500,092	917,386	55,410	166,677	108,653	1,356,847
OPERATING EXPENSES:						
General government	174,658	671,721	22,161	172,660	116,149	1,310,843
Capital projects	10,556	-	-	-	-	-
Provision for depreciation	163,202	241,155	37,074	-	-	-
TOTAL OPERATING EXPENSES	348,416	912,876	59,235	172,660	116,149	1,310,843
OPERATING INCOME (LOSS)	151,676	4,510	(3,825)	(5,983)	(7,496)	46,004
NON-OPERATING REVENUES (EXPENSES):						
Gain (loss) on sale of investments	(6,020)	(18,357)	(921)	(1,106)	(103)	(292)
Gain (loss) on sale of equipment	-	659	(2,866)	-	-	-
Interest earnings	14,622	44,694	2,335	5,869	308	676
Interest expense	(146,259)	-	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(137,657)	26,996	(1,452)	4,763	205	384
CHANGE IN NET ASSETS	14,019	31,506	(5,277)	(1,220)	(7,291)	46,388
Net assets, beginning of year	2,325,067	2,133,658	206,733	107,812	2,880	101,261
NET ASSETS, END OF YEAR	\$ 2,339,086	\$ 2,165,164	\$ 201,456	\$ 106,592	\$ (4,411)	\$ 147,649

See accompanying notes to financial statements.

Worker's Compensa- tion Fund	Unemployment Compensation Fund	Totals	
		2006	2005
\$ -	\$ -	\$ 149,186	\$ 113,294
-	-	50,378	43,252
-	-	1,263,763	1,257,115
-	-	2,173	5,427
-	-	967,443	799,005
-	-	166,677	177,008
-	-	505,445	475,476
-	-	3,105,065	2,870,577
146,686	19,402	2,634,280	2,621,300
-	-	10,556	5,642
-	-	441,431	458,011
146,686	19,402	3,086,267	3,084,953
(146,686)	(19,402)	18,798	(214,376)
(20,221)	(7,568)	(54,588)	(26,177)
-	-	(2,207)	1,139
49,683	18,486	136,673	130,569
-	-	(146,259)	(149,496)
29,462	10,918	(66,381)	(43,965)
(117,224)	(8,484)	(47,583)	(258,341)
845,917	409,324	6,132,652	6,390,993
\$ 728,693	\$ 400,840	\$ 6,085,069	\$ 6,132,652

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWSFor the year ended June 30, 2006
with comparative totals for the year ended June 30, 2005

	Escanaba Building Authority Fund	Motor Vehicle and Equipment Fund	Office Equipment Fund	Risk Retention Fund	Dental Fund	Health Insurance Fund	Worker's Compensa- tion Fund
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received for insurance costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,356,664	\$ -
Cash received from other funds for services	500,092	912,033	55,410	166,677	108,653	-	-
Cash payments to suppliers for goods and services	(115,737)	(572,911)	(22,983)	-	(4,781)	(38,969)	(16,860)
Cash payments to employees for services	(75,397)	(89,993)	-	-	-	-	-
Cash payments of benefits	-	-	-	(191,942)	(113,275)	(1,256,166)	(133,388)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>308,958</u>	<u>249,129</u>	<u>32,427</u>	<u>(25,265)</u>	<u>(9,403)</u>	<u>61,529</u>	<u>(150,248)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:							
Principal payments on bonds	(150,000)	-	-	-	-	-	-
Interest expense	(147,123)	-	-	-	-	-	-
Acquisition and construction of capital assets/disposals	(18,309)	(222,716)	(40,012)	-	-	-	-
Proceeds from sale of equipment	-	659	-	-	-	-	-
NET CASH USED FOR CAPITAL FINANCING ACTIVITIES	<u>(315,432)</u>	<u>(222,057)</u>	<u>(40,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest and gains on investments	<u>8,350</u>	<u>26,556</u>	<u>1,641</u>	<u>5,022</u>	<u>359</u>	<u>19</u>	<u>31,404</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	1,876	53,628	(5,944)	(20,243)	(9,044)	61,548	(118,844)
Cash and equivalents, beginning of year	<u>367,621</u>	<u>969,084</u>	<u>61,322</u>	<u>79,424</u>	<u>14,949</u>	<u>47,479</u>	<u>1,166,211</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 369,497</u>	<u>\$1,022,712</u>	<u>\$ 55,378</u>	<u>\$ 59,181</u>	<u>\$ 5,905</u>	<u>\$ 109,027</u>	<u>\$1,047,367</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:							
Operating income (loss)	\$ 151,676	\$ 4,510	\$ (3,825)	\$ (5,983)	\$ (7,496)	\$ 46,004	\$ (146,686)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	163,202	241,155	37,074	-	-	-	-
Changes in assets and liabilities:							
(Increase) decrease in receivables, prepaids, due from other funds and deposits	3,156	-	-	(22,537)	(134)	13,759	-
Increase (decrease) in accounts and claims payable and due to other funds	(185)	3,142	(822)	3,255	(1,773)	1,766	(3,562)
Increase (decrease) in accruals	(8,891)	322	-	-	-	-	-
Total adjustments	<u>157,282</u>	<u>244,619</u>	<u>36,252</u>	<u>(19,282)</u>	<u>(1,907)</u>	<u>15,525</u>	<u>(3,562)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 308,958</u>	<u>\$ 249,129</u>	<u>\$ 32,427</u>	<u>\$ (25,265)</u>	<u>\$ (9,403)</u>	<u>\$ 61,529</u>	<u>\$ (150,248)</u>

See accompanying notes to financial statements.

Unemploy- ment Com- pensation Fund	Totals	
	2006	2005
\$ -	\$1,356,664	\$1,386,501
-	1,742,865	1,538,062
(200)	(772,441)	(746,153)
-	(165,390)	(258,373)
<u>(11,472)</u>	<u>(1,706,243)</u>	<u>(1,728,363)</u>
<u>(11,672)</u>	<u>455,455</u>	<u>191,674</u>
-	(150,000)	(170,000)
-	(147,123)	(121,870)
-	(281,037)	(159,654)
<u>-</u>	<u>659</u>	<u>-</u>
<u>-</u>	<u>(577,501)</u>	<u>(451,524)</u>
<u>11,203</u>	<u>84,554</u>	<u>109,851</u>
(469)	(37,492)	(149,999)
<u>410,511</u>	<u>3,116,601</u>	<u>3,266,600</u>
<u>\$ 410,042</u>	<u>\$3,079,109</u>	<u>\$3,116,601</u>
<u>\$ (19,402)</u>	<u>\$ 18,798</u>	<u>\$ (214,376)</u>
-	441,431	458,011
-	(5,756)	38,886
7,730	9,551	(85,459)
<u>-</u>	<u>(8,569)</u>	<u>(5,388)</u>
<u>7,730</u>	<u>436,657</u>	<u>406,050</u>
<u>\$ (11,672)</u>	<u>\$ 455,455</u>	<u>\$ 191,674</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Current assets:		
Investments, at market	\$ 369,497	\$ 367,621
Receivables:		
Accrued interest	3,276	3,024
Prepaid expenses	56,808	59,964
Total current assets	429,581	430,609
Property, plant and equipment:		
Property, plant and equipment	7,376,582	7,375,668
Less accumulated depreciation	(1,859,185)	(1,713,378)
Net property, plant and equipment	5,517,397	5,662,290
TOTAL ASSETS	\$ 5,946,978	\$ 6,092,899
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 1,028	\$ 1,213
Accrued salaries, wages and fringes	-	8,891
Accrued interest payable	46,864	47,728
Bonds payable	150,000	150,000
Total current liabilities	197,892	207,832
Long-term liabilities:		
Bonds payable	3,410,000	3,560,000
TOTAL LIABILITIES	3,607,892	3,767,832
NET ASSETS:		
Invested in capital assets, net of related debt	1,957,397	1,952,290
Unrestricted	381,689	372,777
TOTAL NET ASSETS	2,339,086	2,325,067
TOTAL LIABILITIES AND NET ASSETS	\$ 5,946,978	\$ 6,092,899

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	June 30	
	2006	2005
OPERATING REVENUES:		
Miscellaneous	\$ 500.092	\$ 475.476
OPERATING EXPENSES:		
General government:		
Salaries and wages	56,911	60,200
Fringe benefits	9,595	11,493
Overhead on salaries and wages	13,588	11,799
Travel expenses	6	78
Professional services	1,995	1,215
Public utilities	68,458	53,884
Insurance and bonds	7,306	8,267
Supplies	1,730	2,219
Building supplies	7,104	6,677
Equipment rental	1,045	1,127
Equipment maintenance	3,980	3,610
Education and training	-	36
Telephone	2,849	2,673
Christmas Tree	91	146
Capital projects:		
Construction	10,556	5,642
Provision for depreciation	163,202	162,074
TOTAL OPERATING EXPENSES	348,416	331,140
OPERATING INCOME	151,676	144,336
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(6,020)	(2,407)
Interest earnings	14,622	12,392
Interest expense	(146,259)	(149,496)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(137,657)	(139,511)
CHANGE IN NET ASSETS	14,019	4,825
Net assets, beginning of year	2,325,067	2,320,242
NET ASSETS, END OF YEAR	\$ 2,339,086	\$ 2,325,067

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

ESCANABA BUILDING AUTHORITY FUND
SCHEDULE OF BOND PRINCIPAL AND INTEREST MATURITIES

June 30, 2006

City of Escanaba, Escanaba Building Authority -
City Hall/Library Bond Dated May 11, 2004

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
September 1, 2006	2.25%	\$ -	\$ 70,296	\$ 70,296
March 1, 2007	2.50%	150,000	70,296	220,296
September 1, 2007	2.50%	-	68,421	68,421
March 1, 2008	2.75%	150,000	68,421	218,421
September 1, 2008	2.75%	-	66,359	66,359
March 1, 2009	3.125%	160,000	66,359	226,359
September 1, 2009	3.125%	-	63,859	63,859
March 1, 2010	3.375%	160,000	63,859	223,859
September 1, 2010	3.375%	-	61,159	61,159
March 1, 2011	3.50%	170,000	61,159	231,159
September 1, 2011	3.50%	-	58,184	58,184
March 1, 2012	3.75%	175,000	58,184	233,184
September 1, 2012	3.75%	-	54,902	54,902
March 1, 2013	4.00%	180,000	54,902	234,902
September 1, 2013	4.00%	-	51,302	51,302
March 1, 2014	3.80%	190,000	51,302	241,302
September 1, 2014	3.80%	-	47,692	47,692
March 1, 2015	4.00%	195,000	47,692	242,692
September 1, 2015	4.00%	-	43,792	43,792
March 1, 2016	4.00%	205,000	43,792	248,792
September 1, 2016	4.00%	-	39,693	39,693
March 1, 2017	4.10%	215,000	39,693	254,693
September 1, 2017	4.10%	-	35,285	35,285
March 1, 2018	4.20%	220,000	35,285	255,285
September 1, 2018	4.20%	-	30,665	30,665
March 1, 2019	4.30%	225,000	30,665	255,665
September 1, 2019	4.30%	-	25,827	25,827
March 1, 2020	4.30%	235,000	25,827	260,827
September 1, 2020	4.30%	-	20,775	20,775
March 1, 2021	4.40%	250,000	20,775	270,775
September 1, 2021	4.40%	-	15,275	15,275
March 1, 2022	4.40%	260,000	15,275	275,275
September 1, 2022	4.40%	-	9,555	9,555
March 1, 2023	4.55%	270,000	9,555	279,555
September 1, 2023	4.55%	-	3,413	3,413
March 1, 2024	4.55%	150,000	3,414	153,414
		<u>\$3,560,000</u>	<u>\$1,532,909</u>	<u>\$5,092,909</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	June 30	
	2006	2005
ASSETS:		
Current assets:		
Investments, at market	\$ 1,022,712	\$ 969,084
Receivables:		
Accrued interest	9,402	9,621
Total current assets	1,032,114	978,705
Property, plant and equipment:		
Property, plant and equipment	4,730,268	4,641,565
Less accumulated depreciation	(3,564,964)	(3,457,822)
Net property, plant and equipment	1,165,304	1,183,743
TOTAL ASSETS	<u>\$ 2,197,418</u>	<u>\$ 2,162,448</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 8,897	\$ 5,755
Accrued salaries, wages and fringes	23,357	23,035
TOTAL LIABILITIES	32,254	28,790
NET ASSETS:		
Invested in capital assets, net of related debt	1,165,304	1,183,743
Unrestricted	999,860	949,915
TOTAL NET ASSETS	2,165,164	2,133,658
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,197,418</u>	<u>\$ 2,162,448</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
MOTOR VEHICLE EQUIPMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Equipment rental	\$ 912.033	\$ 748.411
Miscellaneous:		
Insurance reimbursements	<u>5.353</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>917.386</u>	<u>748.411</u>
OPERATING EXPENSES:		
General government:		
Salaries and wages	50.981	110.892
Fringe benefits	39.334	70.400
Supplies	35.165	13.510
Building supplies	5.124	2.207
Professional services	1.455	1.000
Communication	1.849	1.171
Printing & publishing	720	35
Insurance & bonds	32.898	36.622
Public utilities	48.090	36.923
Capital outlay - equipment	902	520
Uniform maintenance	658	664
Building maintenance	10.228	10.102
Equipment maintenance	426.970	390.234
Equipment rental	14.682	23.187
Office expense	623	112
Miscellaneous	1.917	5.770
Education and training	125	148
Provision for depreciation	<u>241.155</u>	<u>263.046</u>
TOTAL OPERATING EXPENSES	<u>912.876</u>	<u>966.543</u>
OPERATING INCOME (LOSS)	<u>4.510</u>	<u>(218.132)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(18.357)	(8.048)
Gain (loss) on sale of equipment	659	1.139
Interest earnings	<u>44.694</u>	<u>40.024</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>26.996</u>	<u>33.115</u>
CHANGE IN NET ASSETS	31.506	(185.017)
Net assets, beginning of year	<u>2.133.658</u>	<u>2.318.675</u>
NET ASSETS, END OF YEAR	<u>\$ 2.165.164</u>	<u>\$ 2.133.658</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2006

Unit Number	Description	Balance 06/30/05	Additions	Retirements	Balance 06/30/06
1	1960 Duplex Snowblower	\$ 12,000	\$ -	\$ -	\$ 12,000
3	1987 White Laser Level	5,695	-	-	5,695
4	Homelite Power Blower	940	-	-	940
5	Hydraulic Hammer	1,918	-	-	1,918
7	Eager Beaver Model 200 Chipper	11,440	-	-	11,440
8	2000 Trackless 51" Snowblower	5,540	-	-	5,540
9	Hydrosander Pressure Washer	2,425	-	-	2,425
10	Tennant Model 480 Sweeper	11,703	-	-	11,703
12	1987 Ski-Doo Alpine Snowmobile	5,250	-	-	5,250
13	Dew-Eze 72" All-Terrain Mower	28,815	-	-	28,815
14	2003 Chevrolet 3/4 Ton Pickup	16,982	-	-	16,982
19	1991 Ford One-Ton Welder Pickup	14,290	-	-	14,290
21	1987 Chevrolet 4x4 Pickup	11,375	-	-	11,375
22	1990 Ford Ranger Pickup	12,023	-	-	12,023
24	2005 GMC 4x2 Pickup	14,495	-	-	14,495
25	2000 Ford F-150 Pickup	15,812	-	-	15,812
26	2000 Chevrolet Extended Cab Pickup	15,515	-	-	15,515
28	2003 MT5 Trackless with Duals	63,177	-	-	63,177
30	1991 Trackless Municipal Tractor	47,060	-	-	47,060
37	2003 Chevrolet 3/4 Ton 4x4 Pickup	19,539	-	-	19,539
40	1992 Sauber model 4500 Pole Trailer	9,050	-	-	9,050
41	1979 International Bulldozer	42,780	-	-	42,780
44	1992 MB Traffic Stripper	1,724	-	-	1,724
45	1993 John Deere 7100 Backhoe	73,628	-	-	73,628
46	1992 Ford F-150 Pickup	11,080	-	-	11,080
47	1989 Ford F-350 Pickup	11,935	-	-	11,935
48	2006 Komatsu Front End Loader	-	101,612	-	101,612
49	1984 Clark Forklift	26,747	-	-	26,747
50	1986 Ford 755a Tractor/Backhoe	55,168	-	-	55,168
51	1990 Ford F-150 4x4 Pickup	16,277	-	16,277	-
52	1993 Ford F-150 Pickup	15,670	-	-	15,670
53	1993 Ford F-250 Pickup	15,120	-	15,120	-
54	2000 Chevrolet Impala	18,895	-	-	18,895
55	2006 Chevrolet 2500 HD Pickup	-	21,774	-	21,774
56	1995 Ford F-800 Garbage Truck	117,114	-	-	117,114
57	2000 Ford LT 7500 Garbage Truck	129,282	-	-	129,282
58	2003 168" Rotary Mower	8,150	-	-	8,150
59	1990 Ford C8000 Garbage Truck	53,401	-	-	53,401
60	1992 Ford LTS8000 Garbage Truck	96,926	-	-	96,926
64	1990 Wyco Vibrator	1,753	-	-	1,753
66	1984 18" Sod Cutter	1,889	-	-	1,889
67	1983 Econoline C185 Concrete Saw	3,800	-	-	3,800
68	1984 Wacker Rammer	1,862	-	-	1,862
69	2000 14" Stihl Cutoff Saw	810	-	-	810
71	1991 Haybuster Model IG-10 Tub Grinder	63,983	-	-	63,983
73	Model HM35DI Compost Screener	57,300	-	-	57,300
74	1987 Dresser Model A-500E Grader	66,276	-	-	66,276
76	1997 Sreco Jet Rodder	20,650	-	-	20,650
77	1978 Cleaver Brooks Steamer	11,150	-	-	11,150
78	1990 Ford C8000 Vacuum Truck	102,579	-	-	102,579
79	1991 Ford LNT 9000 Tractor	22,660	-	-	22,660
80	1985 Fiat Front End Loader	59,638	-	59,638	-
81	2001 Komatsu Front End Loader	109,995	-	-	109,995
82	2003 Power Angling Broom	4,360	-	-	4,360
83	1989 Fiat-Allis Front-end Loader	57,489	-	-	57,489
84	1996 International Dump Truck	53,842	-	-	53,842
	Balance carried forward	\$ 1,658,977	\$ 123,386	\$ 91,035	\$ 1,691,328

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2006

Unit Number	Description	Balance 06/30/05	Additions	Retirements	Balance 06/30/06
	Balance brought forward.	\$ 1,658,977	\$ 123,386	\$ 91,035	\$ 1,691,328
85	1992 Ford 8000 Dump Truck	43,667	-	-	43,667
86	CPS End-Dump Trailer	25,935	-	-	25,935
87	1989 International Dump Truck	45,631	-	-	45,631
88	2001 Vac-All Street Sweeper	152,609	-	-	152,609
90	1965 Galion Compactor	8,250	-	-	8,250
92	2001 Sterling Dump Truck	82,697	-	-	82,697
93	2002 Sterling Dump Truck	71,700	-	-	71,700
95	2000 Ford Dump Truck w/Plow	69,693	-	-	69,693
96	1979 J.D. 670 A Grader	50,202	-	-	50,202
98	1985 Galion S-500E Grader	66,897	-	-	66,897
100	1989 Ford L-8000 Dump Truck	46,401	-	-	46,401
101	1987 John Deere Model 755 Tractor	12,045	-	-	12,045
105	John Deere F925 Front Mount Mower	12,988	-	-	12,988
106	1978 Griffith Well Point Pump	24,068	-	-	24,068
107	1974 Kentucky Trailer	3,000	-	-	3,000
108	2001 Sterling Sewer Cleaner	134,550	-	-	134,550
109	1997 Ford F-250 4x4 PU w/Boss Plow	22,530	-	-	22,530
110	2006 Ford F-250 Pickup	-	20,792	-	20,792
111	1995 Ford Sludge Hauling Tanker	72,220	-	-	72,220
112	1999 Chevrolet Suburban	27,575	-	-	27,575
113	2004 Freightliner MZ-60 Sludge Truck	103,134	-	-	103,134
114	Kifco Water Irrigation Reel	10,190	-	-	10,190
115	1978 Griffith Well Points	3,769	-	-	3,769
116	1984 MB Traffic Striper	10,500	-	-	10,500
116A	2006 Chevrolet 2500 HD Pickup	-	23,504	-	23,504
117	1992 Ford F-250 Pickup	14,781	-	14,781	-
118	1992 Ford F-250 4x4 Pickup w/Dump	16,408	-	-	16,408
119	1993 John Deere Model F725 Mower	8,255	-	-	8,255
120	1996 Ford 1 Ton Pickup	19,649	-	-	19,649
121	1999 Ford F-350 Pickup	26,028	-	-	26,028
122	1998 Ford Cargo Van	20,437	-	-	20,437
124	1982 Ingersoll-Rand Air Compressor	11,290	-	-	11,290
125	1989 Lincoln Arc Welder	2,360	-	-	2,360
126	2006 Ford F-450 Pickup	-	37,214	-	37,214
127	1987 Ingersoll-Rand Air Compressor	10,062	-	-	10,062
128	1999 Ford F-150 Pickup	14,588	-	-	14,588
129	1999 Chevrolet 4x4 Pickup	26,678	-	-	26,678
130	1999 Ford F-250 3/4 Ton w/Service Body	20,454	-	-	20,454
131	1992 Jacobsen 720 Lawn Sweeper	4,895	-	-	4,895
132	1993 Ford E - 350 Pickup	24,388	-	-	24,388
133	1989 Griffin Dewatering Pump	10,500	-	-	10,500
134	1982 Double Diaphragm Pump	4,235	-	-	4,235
137	Trailer	300	-	-	300
137A	1997 Sicard Model 2200M Snowblower	61,740	-	-	61,740
140	Wacker Hydrostatic Vibratory Roller	21,147	-	-	21,147
141	Cutquick Concrete Saw	680	-	-	680
142	Plate Type Vibratory Compactor	6,225	-	-	6,225
149	1990 Lely Material Spreader	3,167	-	-	3,167
150	Paving Forms	1,136	-	-	1,136
151	Material Spreader	5,978	-	5,978	-
155	Hiniker Model 10 Spreader	4,420	-	-	4,420
158	Plate Type Vibratory Compactor	1,792	-	-	1,792
159	8 Cubic Foot Mortar Mixer	2,287	-	-	2,287
160	1984 Stone Mortar Mixer	1,340	-	-	1,340
161	Lamborghini 4" Trash Pump	7,280	-	-	7,280
162	1999 Lowboy Semi-Trailer	21,458	-	-	21,458
	Balance carried forward	\$ 3,133,186	\$ 204,896	\$ 111,794	\$ 3,226,288

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2006

Unit Number	Description	Balance 06/30/05	Additions	Retirements	Balance 06/30/06
	Balance brought forward	\$ 3,133,186	\$ 204,896	\$ 111,794	\$ 3,226,288
164	2000 John Deere 200LC Excavator	139,375	-	-	139,375
165	1992 Trackless 168" Rotary Mower	5,678	-	-	5,678
166	Tandem 6' x 14' Trailer	1,525	-	-	1,525
170	Excavation Shoring System	24,678	-	-	24,678
170A	1956 Hi-Way Pole Trailer	1,076	-	-	1,076
172	1999 Dodge Intrepid 4 Door	19,071	-	-	19,071
173	1993 Chevrolet Lumina 4 Door	14,100	-	-	14,100
174	1998 Dodge Minivan	17,002	-	-	17,002
176	Weed Harvester	29,153	-	-	29,153
177	John Deere F925 Front Mount Mower	12,111	-	-	12,111
178	20 HP Cub Cadet Mower	4,177	-	-	4,177
179	2001 Ford F-250 Pickup	26,041	-	-	26,041
180	2003 Chevrolet 3/4 Ton Pickup with Plow	21,954	-	-	21,954
181	2005 Ford Taurus	15,378	-	-	15,378
185	Patching Trailer	966	-	-	966
190	1997 Jeep Cherokee	21,488	-	-	21,488
191	2005 Chevrolet Tahoe	31,416	-	-	31,416
192	2005 Chevrolet Impala	25,761	-	-	25,761
193	2006 Chevrolet Impala	-	21,992	-	21,992
195	1998 Ford Crown Victoria Squad Car	21,121	-	-	21,121
203	1986 Chevrolet 5/4 Ton 4x4 Grass Truck	17,523	-	-	17,523
204	1992 Pierce Pumper Truck	179,674	-	-	179,674
205	1983 FMC Fire Truck	233,833	-	-	233,833
220	2000 Chevrolet Malibu	14,748	-	-	14,748
221	2000 Chevrolet Malibu	14,749	-	-	14,749
222	2001 Chevrolet Impala	20,164	-	-	20,164
223	2001 Chevrolet Impala	20,164	-	-	20,164
225	2001 Chevrolet Tahoe	27,852	-	-	27,852
226	2002 Chevrolet Impala	20,765	-	-	20,765
227	2002 Chevrolet Impala	20,766	-	-	20,766
228	2004 Chevrolet Impala	21,594	-	-	21,594
229	2004 Chevrolet Impala	21,594	-	-	21,594
230	2004 Chevrolet Impala	21,594	-	-	21,594
345	Snow Body Insert	7,190	-	-	7,190
346	Snow Body Insert	7,415	-	-	7,415
347	Snow Body Insert	7,415	-	-	7,415
348	Snow Body Insert	7,415	-	-	7,415
349	Snow Body Insert	7,415	-	-	7,415
555	Underground Pipe TV inspection system	52,629	-	-	52,629
	Communications System	250,803	678	35,929	215,552
	Total Rental Units	\$ 4,540,559	\$ 227,566	\$ 147,723	\$ 4,620,402
Non-rental Units					
	Miller Welder w/Auto Feed	\$ 2,720	\$ -	\$ -	\$ 2,720
	Sun Auto Analyzer	7,020	-	-	7,020
	Sioux Steamer/Washer	6,438	-	-	6,438
	Torch	100	-	-	100
	Air Wrench	125	-	-	125
	Two-Ton Floor Jack	170	-	-	170
	Chain Ratchet	264	-	-	264
	Racks	143	-	-	143
	Sander	94	-	-	94
	Balance carried forward	\$ 17,074	\$ -	\$ -	\$ 17,074

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

MOTOR VEHICLE EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2006

Unit Number	Description	Balance 06/30/05	Additions	Retirements	Balance 06/30/06
	Balance brought forward.	\$ 17,074	\$ -	\$ -	\$ 17,074
	Lights	543	-	-	543
	Grainger Battery Tester	123	-	-	123
	Schonstedt G.A. 528 Locator	585	-	-	585
	Air Hammer, Ratchet	129	-	-	129
	Spray Gun	244	-	-	244
	Brake Bleeding Tool	125	-	-	125
	Stud Gun	112	-	-	112
	7" Sander	160	-	-	160
	Miller Douzall	156	-	-	156
	Wood Surfacers	250	-	-	250
	Gas Tanks	37,829	-	-	37,829
	Stigers 16' Tandem Trailer	1,365	-	-	1,365
	Gasoline Tank Installation	9,068	-	-	9,068
	Air Compressor	2,009	-	-	2,009
	Crow's Feet	175	-	-	175
	Weather Master	435	-	-	435
	Transmission Repair Kit	441	-	-	441
	Electronic Tachometer	255	-	-	255
	Air Wrench	369	-	-	369
	Milwaukee 9" Sander	149	-	-	149
	Fleet Maintenance Software	3,390	-	-	3,390
	Softek 386 Computer	2,090	-	-	2,090
	3 Tap and Die sets	552	-	-	552
	Ford Basic Scan system	879	-	-	879
	Millermatic 250 welder	1,425	-	-	1,425
	Gasboy 1000 Interface	750	-	-	750
	Floor Jack	2,060	-	-	2,060
	Tool & Die Set	373	-	-	373
	Tire Changer	2,999	-	-	2,999
	3 Magitronic Pentium 200 MGHZ Computers	794	-	-	794
	One-Third of the Softek Network Server	1,831	-	-	1,831
	Bluestar 6000 Welder	2,057	-	-	2,057
	Purox Trademaster	525	-	-	525
	2 Submersible Pumps	1,441	-	-	1,441
	Transmission Jack	342	-	-	342
	Fleet Software	1,495	-	-	1,495
	Printers/3 17" Monitors	1,485	-	-	1,485
	12 Volt Fuel Pump	254	-	-	254
	3/4" Impact Wrench	375	-	-	375
	MCR 500 Digital Battery Electric System	665	-	-	665
	3 AMD XP 1600 1.4 GHZ Computers	2,408	-	-	2,408
	10 Ton Hydraulic Porta-Power	250	-	-	250
	Fuel Injector Repair Kit	379	-	-	379
	Scanning Unit Plug-In	591	-	-	591
	Snap-on Automotive Lift	-	3,905	-	3,905
	Used Tire Balancer	-	600	-	600
	Konica/Minolta Digital Copier	-	4,355	-	4,355
	Total Non-rental Units	<u>101,006</u>	<u>8,860</u>	<u>-</u>	<u>109,866</u>
	TOTALS	<u>\$ 4,641,565</u>	<u>\$ 236,426</u>	<u>\$ 147,723</u>	<u>\$ 4,730,268</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
OFFICE EQUIPMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS
June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 55,378	\$ 61,322
Receivables:		
Accrued interest	<u>476</u>	<u>703</u>
Total current assets	<u>55,854</u>	<u>62,025</u>
Property, plant and equipment:		
Property, plant and equipment	298,716	299,333
Less accumulated depreciation	<u>(154,372)</u>	<u>(155,061)</u>
Net property, plant and equipment	<u>144,344</u>	<u>144,272</u>
TOTAL ASSETS	<u>\$ 200,198</u>	<u>\$ 206,297</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	<u>\$ (1,258)</u>	<u>\$ (436)</u>
NET ASSETS:		
Invested in capital assets, net of related debt	144,344	144,272
Unrestricted	<u>57,112</u>	<u>62,461</u>
TOTAL NET ASSETS	<u>201,456</u>	<u>206,733</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 200,198</u>	<u>\$ 206,297</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	June 30	
	2006	2005
OPERATING REVENUES:		
Equipment rental	\$ 55,410	\$ 50,594
OPERATING EXPENSES:		
General government:		
Equipment maintenance	22,161	20,694
Provision for depreciation	37,074	32,891
TOTAL OPERATING EXPENSES	59,235	53,585
OPERATING INCOME (LOSS)	(3,825)	(2,991)
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(921)	(952)
Gain (loss) on sale of equipment	(2,866)	-
Interest earnings	2,335	3,544
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,452)	2,592
CHANGE IN NET ASSETS	(5,277)	(399)
Net assets, beginning of year	206,733	207,132
NET ASSETS, END OF YEAR	\$ 201,456	\$ 206,733

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

OFFICE EQUIPMENT FUND
SCHEDULE OF CHANGES IN EQUIPMENT

For the year ended June 30, 2006

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/06</u>
Network system	\$ 70,825	\$ 21,046	\$ 7,630	\$ 84,241
Controller	13,889	-	910	12,979
Engineer	16,677	-	3,404	13,273
Clerk	27,546	-	290	27,256
Personnel	5,287	-	3,542	1,745
City Manager	3,734	-	647	3,087
Building and Housing Inspection	2,712	656	-	3,368
Treasurer/Utility	91,608	13,575	15,073	90,110
Bay Computer - Shared Equipment	17,627	-	-	17,627
Assessor	5,673	-	-	5,673
Recreation	499	-	-	499
Purchasing	1,595	-	1,595	-
LAN Administration	7,505	-	7,505	-
Public Safety	<u>34,156</u>	<u>4,702</u>	<u>-</u>	<u>38,858</u>
 TOTALS	 <u>\$ 299,333</u>	 <u>\$ 39,979</u>	 <u>\$ 40,596</u>	 <u>\$ 298,716</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
RISK RETENTION FUND
COMPARATIVE STATEMENT OF NET ASSETS
June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 59,181	\$ 79,424
Receivables:		
Accrued interest	597	856
Prepaid expenses	<u>50,069</u>	<u>27,532</u>
TOTAL ASSETS	<u>\$ 109,847</u>	<u>\$ 107,812</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ 3,255</u>	<u>\$ -</u>
NET ASSETS:		
Unrestricted	<u>106,592</u>	<u>107,812</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 109,847</u>	<u>\$ 107,812</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

RISK RETENTION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Provision for self insurance	\$ 166,677	\$ 177,008
OPERATING EXPENSES:		
General government:		
Insurance premiums	159,121	163,915
Administrative costs	300	300
Claims paid	<u>13,239</u>	<u>494</u>
TOTAL OPERATING EXPENSES	<u>172,660</u>	<u>164,709</u>
OPERATING INCOME (LOSS)	<u>(5,983)</u>	<u>12,299</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(1,106)	(559)
Interest earnings	<u>5,869</u>	<u>5,091</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>4,763</u>	<u>4,532</u>
CHANGE IN NET ASSETS	(1,220)	16,831
Net assets, beginning of year	<u>107,812</u>	<u>90,981</u>
NET ASSETS, END OF YEAR	<u>\$ 106,592</u>	<u>\$ 107,812</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DENTAL FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 5.905	\$ 14.949
Receivables:		
Accrued interest	28	182
Prepaid expenses	134	-
Cash on deposit	<u>12.000</u>	<u>12.000</u>
TOTAL ASSETS	<u>\$ 18.067</u>	<u>\$ 27.131</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ 22.478</u>	<u>\$ 24.251</u>
NET ASSETS:		
Unrestricted	<u>(4.411)</u>	<u>2.880</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18.067</u>	<u>\$ 27.131</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

DENTAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
City's contribution for employees	\$ 108,653	\$ 86,573
OPERATING EXPENSES:		
General government:		
Dental benefits	111,368	109,732
Professional services	<u>4,781</u>	<u>4,982</u>
TOTAL OPERATING EXPENSES	<u>116,149</u>	<u>114,714</u>
OPERATING INCOME (LOSS)	<u>(7,496)</u>	<u>(28,141)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(103)	(412)
Interest earnings	<u>308</u>	<u>1,140</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>205</u>	<u>728</u>
CHANGE IN NET ASSETS	(7,291)	(27,413)
Net assets, beginning of year	<u>2,880</u>	<u>30,293</u>
NET ASSETS, END OF YEAR	<u>\$ (4,411)</u>	<u>\$ 2,880</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
HEALTH INSURANCE FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 109.027	\$ 47,479
Receivables:		
Accrued interest	365	-
Due from other funds:		
Grants Fund	216	33
Prepaid expenses	87.581	101.523
Cash on deposit	<u>19.375</u>	<u>19.375</u>
TOTAL ASSETS	<u>\$ 216.564</u>	<u>\$ 168.410</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	<u>\$ 68.915</u>	<u>\$ 67.149</u>
NET ASSETS:		
Unrestricted	<u>147.649</u>	<u>101.261</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 216.564</u>	<u>\$ 168.410</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

HEALTH INSURANCE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Retiree contributions	\$ 149,186	\$ 113,294
Cobra contributions	50,378	43,252
City's contribution for employees	1,155,110	1,170,542
Employee insurance co-pay	<u>2,173</u>	<u>5,427</u>
TOTAL OPERATING REVENUES	<u>1,356,847</u>	<u>1,332,515</u>
OPERATING EXPENSES:		
General government:		
Life & hospital insurance	-	(79)
Insurance premiums	1,071,063	1,069,112
Administrative costs	38,369	39,679
Claims paid	200,811	196,589
Professional services	<u>600</u>	<u>600</u>
TOTAL OPERATING EXPENSES	<u>1,310,843</u>	<u>1,305,901</u>
OPERATING INCOME	<u>46,004</u>	<u>26,614</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(292)	-
Interest earnings	<u>676</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>384</u>	<u>-</u>
CHANGE IN NET ASSETS	46,388	26,614
Net assets, beginning of year	<u>101,261</u>	<u>74,647</u>
NET ASSETS, END OF YEAR	<u>\$ 147,649</u>	<u>\$ 101,261</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
WORKER'S COMPENSATION FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 1,047.367	\$ 1,166.211
Receivables:		
Accrued interest	<u>10.304</u>	<u>12.246</u>
TOTAL ASSETS	<u>\$ 1,057.671</u>	<u>\$ 1,178.457</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 3.978	\$ 7.540
Claims payable	<u>325.000</u>	<u>325.000</u>
TOTAL LIABILITIES	<u>328.978</u>	<u>332.540</u>
NET ASSETS:		
Unrestricted	<u>728.693</u>	<u>845.917</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,057.671</u>	<u>\$ 1,178.457</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

**WORKER'S COMPENSATION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES	\$ -	\$ -
OPERATING EXPENSES:		
General government:		
Benefits	130,206	122,178
Professional services	13,298	11,036
Insurance & bonds	830	923
Books, magazines & periodicals	82	-
Miscellaneous	<u>2,270</u>	<u>2,340</u>
TOTAL OPERATING EXPENSES	<u>146,686</u>	<u>136,477</u>
OPERATING INCOME (LOSS)	<u>(146,686)</u>	<u>(136,477)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(20,221)	(10,615)
Interest earnings	<u>49,683</u>	<u>51,087</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>29,462</u>	<u>40,472</u>
CHANGE IN NET ASSETS	<u>(117,224)</u>	<u>(96,005)</u>
Net assets, beginning of year	<u>845,917</u>	<u>941,922</u>
NET ASSETS, END OF YEAR	<u>\$ 728,693</u>	<u>\$ 845,917</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 UNEMPLOYMENT COMPENSATION FUND
 COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Current assets:		
Investments, at market	\$ 410,042	\$ 410,511
Receivables:		
Accrued interest	<u>3,939</u>	<u>4,224</u>
TOTAL ASSETS	<u>\$ 413,981</u>	<u>\$ 414,735</u>
LIABILITIES:		
Current liabilities:		
Claims payable	<u>\$ 13,141</u>	<u>\$ 5,411</u>
NET ASSETS:		
Unrestricted	<u>400,840</u>	<u>409,324</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 413,981</u>	<u>\$ 414,735</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

UNEMPLOYMENT COMPENSATION FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES		
General government:		
Professional services	200	200
Unemployment compensation	<u>19,202</u>	<u>11,684</u>
TOTAL OPERATING EXPENSES	<u>19,402</u>	<u>11,884</u>
OPERATING INCOME (LOSS)	<u>(19,402)</u>	<u>(11,884)</u>
NON-OPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of investments	(7,568)	(3,184)
Interest earnings	<u>18,486</u>	<u>17,291</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>10,918</u>	<u>14,107</u>
CHANGE IN NET ASSETS	(8,484)	2,223
Net assets, beginning of year	<u>409,324</u>	<u>407,101</u>
NET ASSETS, END OF YEAR	<u>\$ 400,840</u>	<u>\$ 409,324</u>

See accompanying notes to financial statements.

PERMANENT FUND

CITY OF ESCANABA, MICHIGAN
GAS RETIREMENT FUND
COMPARATIVE STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 1,094,295	\$ 1,161,635
Receivables:		
Accrued interest	<u>10,876</u>	<u>12,653</u>
TOTAL ASSETS	<u>\$ 1,105,171</u>	<u>\$ 1,174,288</u>
NET ASSETS:		
Reserved for:		
Principal	\$ 989,349	\$ 989,349
Capital improvements	<u>115,822</u>	<u>184,939</u>
TOTAL NET ASSETS	<u>\$ 1,105,171</u>	<u>\$ 1,174,288</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

GAS RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
REVENUES:		
Interest and dividends	<u>\$ 52,184</u>	<u>\$ 51,265</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	(21,301)	(9,624)
Operating transfers out:		
Local Street Fund	<u>(100,000)</u>	<u>(73,445)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(121,301)</u>	<u>(83,069)</u>
EXCESS REVENUES (OTHER FINANCING USES)	(69,117)	(31,804)
Net assets, beginning of year	<u>1,174,288</u>	<u>1,206,092</u>
NET ASSETS, END OF YEAR	<u>\$ 1,105,171</u>	<u>\$ 1,174,288</u>

See accompanying notes to financial statements.

FIDUCIARY FUNDS

CITY OF ESCANABA, MICHIGAN
PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006 and 2005

	Catherine Bonifas Trust Fund	Bezold Trust Fund	<u>Totals</u>	
			2006	2005
ASSETS:				
Investments, at market	\$ 115,680	\$ 263,492	\$ 379,172	\$ 379,986
Receivables:				
Accrued interest	1,106	2,523	3,629	3,915
TOTAL ASSETS	<u>\$ 116,786</u>	<u>\$ 266,015</u>	<u>\$ 382,801</u>	<u>\$ 383,901</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,075
NET ASSETS:				
Reserved for:				
Bonifas Trust Fund	116,786	-	116,786	113,759
Bezold Trust Fund	-	266,015	266,015	269,067
TOTAL NET ASSETS	<u>116,786</u>	<u>266,015</u>	<u>382,801</u>	<u>382,826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 116,786</u>	<u>\$ 266,015</u>	<u>\$ 382,801</u>	<u>\$ 383,901</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN
FIDUCIARY NET ASSETS

For the years ended June 30, 2006 and 2005

	Catherine Bonifas Trust Fund	Bezold Trust Fund	<u>Totals</u>	
			2006	2005
REVENUES:				
Miscellaneous:				
Interest earnings	\$ 5.131	\$ 11.798	\$ 16.929	\$ 16.066
EXPENDITURES:				
Cultural:				
Books, magazines & periodicals	-	9.927	9.927	7.748
EXCESS REVENUES	5.131	1.871	7.002	8.318
OTHER FINANCING SOURCES (USES):				
Gain (loss) on sale of investments	(2.104)	(4.923)	(7.027)	(1.046)
Operating transfers in	-	-	-	265.625
TOTAL OTHER FINANCING SOURCES (USES)	(2.104)	(4.923)	(7.027)	264.579
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	3.027	(3.052)	(25)	272.897
Net assets, beginning of year	113.759	269.067	382.826	109.929
NET ASSETS, END OF YEAR	\$ 116.786	\$ 266.015	\$ 382.801	\$ 382.826

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
 CATHERINE BONIFAS TRUST FUND
 COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 115.680	\$ 112.607
Receivables:		
Accrued interest	<u>1.106</u>	<u>1.152</u>
TOTAL ASSETS	<u>\$ 116.786</u>	<u>\$ 113.759</u>
NET ASSETS:		
Reserved for:		
Bonifas Trust Fund	<u>\$ 116.786</u>	<u>\$ 113.759</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

CATHERINE BONIFAS TRUST FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FIDUCIARY NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
REVENUES:		
Miscellaneous:		
Interest earnings	<u>\$ 5,131</u>	<u>\$ 4,675</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	<u>(2,104)</u>	<u>(845)</u>
EXCESS REVENUES	3,027	3,830
Net assets, beginning of year	<u>113,759</u>	<u>109,929</u>
NET ASSETS, END OF YEAR	<u>\$ 116,786</u>	<u>\$ 113,759</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BEZOLD TRUST FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Investments, at market	\$ 263.492	\$ 267.379
Receivables:		
Accrued interest	<u>2.523</u>	<u>2.763</u>
TOTAL ASSETS	<u>\$ 266.015</u>	<u>\$ 270.142</u>
LIABILITIES:		
Accounts payable	<u>\$ -</u>	<u>\$ 1.075</u>
NET ASSETS:		
Reserved for:		
Bezold Trust Fund	<u>266.015</u>	<u>269.067</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 266.015</u>	<u>\$ 270.142</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

BEZOLD TRUST FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FIDUCIARY NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
REVENUES:		
Miscellaneous:		
Interest earnings	\$ <u>11,798</u>	\$ <u>11,391</u>
EXPENDITURES:		
Cultural:		
Books, magazines & periodicals	<u>9.927</u>	<u>7.748</u>
EXCESS REVENUES (EXPENDITURES)	<u>1.871</u>	<u>3.643</u>
OTHER FINANCING SOURCES (USES):		
Gain (loss) on sale of investments	(4.923)	(201)
Operating transfers in:		
Library Fund	<u>-</u>	<u>265.625</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4.923)</u>	<u>265.424</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER FINANCING USES)	(3.052)	269.067
Net assets, beginning of year	<u>269.067</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 266.015</u>	<u>\$ 269.067</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN
PUBLIC SAFETY RETIREMENT FUND
COMPARATIVE STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
ASSETS:		
Cash and equivalents	\$ 1,466	\$ (45,958)
Investments, at market	<u>18,331,953</u>	<u>17,769,376</u>
TOTAL ASSETS	<u>\$ 18,333,419</u>	<u>\$ 17,723,418</u>
LIABILITIES:		
Accounts payable	<u>\$ 92,134</u>	<u>\$ 29,381</u>
NET ASSETS:		
Reserved for:		
Employees' retirement system	<u>18,241,285</u>	<u>17,694,037</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,333,419</u>	<u>\$ 17,723,418</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

PUBLIC SAFETY RETIREMENT FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FIDUCIARY NET ASSETS

For the years ended June 30, 2006 and 2005

	<u>June 30</u>	
	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Interest and dividends	\$ 641,970	\$ 594,402
Gain (loss) on sale of investments	463,620	721,372
Contributions:		
City of Escanaba	465,237	418,035
Employees	<u>113,059</u>	<u>114,686</u>
TOTAL OPERATING REVENUES	<u>1,683,886</u>	<u>1,848,495</u>
OPERATING EXPENSES:		
Administrative and general:		
Trustee fees	805	5,850
Miscellaneous	1,598	6,899
Benefits paid and refunds of member contributions	<u>1,134,235</u>	<u>1,026,199</u>
TOTAL OPERATING EXPENSES	<u>1,136,638</u>	<u>1,038,948</u>
NET INCOME	547,248	809,547
Net assets, beginning of year	<u>17,694,037</u>	<u>16,884,490</u>
NET ASSETS, END OF YEAR	<u>\$ 18,241,285</u>	<u>\$ 17,694,037</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

TAX COLLECTION FUND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended June 30, 2006

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
ASSETS:				
Cash and equivalents	\$ 18,762	\$ 11,628,050	\$ 11,643,795	\$ 3,017
Receivables:				
Special assessments	-	18,423	18,423	-
Taxes	-	<u>12,488,087</u>	<u>12,488,087</u>	-
TOTAL ASSETS	<u>\$ 18,762</u>	<u>\$ 24,134,560</u>	<u>\$ 24,150,305</u>	<u>\$ 3,017</u>
LIABILITIES:				
Due to other governments	<u>\$ 18,762</u>	<u>\$ 34,736,849</u>	<u>\$ 34,752,594</u>	<u>\$ 3,017</u>

See accompanying notes to financial statements.

CITY OF ESCANABA, MICHIGAN

TAX COLLECTION FUND
SCHEDULE OF COLLECTIONS FOR AND REMITTANCES TO OTHER GOVERNMENTAL UNITS

For the year ended June 30, 2006

	Intermediate School District	County of Delta	Escanaba Area Public Schools	Bay de Noc Community College	State Tax Commission	Community Action Agency
Balance, July 1, 2005	\$ 125	\$ 1,608	\$ 1,092	\$ 175	\$ -	\$ 37
Collections:						
Interest earnings on investments	610	2,871	3,186	870	-	139
Taxes levied for 2005	563,520	2,547,844	2,905,113	800,569	-	131,903
Delinquent tax collections	2,231	21,038	23,559	3,267	-	659
Trailer tax collections	-	11,485	-	-	-	-
Industrial facilities tax collection	805	30,020	18,317	21,113	181,393	3,479
Total collections	567,166	2,613,258	2,950,175	825,819	181,393	136,180
Remittances:						
Delinquent taxes returned to County Treasurer	29,743	116,051	237,712	39,099	-	8,111
Delinquent personal property taxes	2,440	10,328	25,910	3,611	-	719
Remittances to governmental units	535,029	2,487,146	2,686,814	783,168	181,393	127,359
Total remittances	567,212	2,613,525	2,950,436	825,878	181,393	136,189
Balance, June 30, 2006	\$ 79	\$ 1,341	\$ 831	\$ 116	\$ -	\$ 28

See accompanying notes to financial statements.

<u>Downtown Development Authority</u>	<u>City of Escanaba</u>	<u>Brownfield</u>	<u>Delta County Sheriff Department</u>	<u>911</u>	<u>Total</u>
\$ 24	\$ 15,646	\$ -	\$ 55	\$ -	\$ 18,762
255	4,411	2	209	142	12,695
257,245	3,902,051	1,845	197,869	135,288	11,443,247
88	17,640	-	989	517	69,988
-	2,297	-	-	-	13,782
-	102,860	-	5,218	3,568	366,773
<u>257,588</u>	<u>4,029,259</u>	<u>1,847</u>	<u>204,285</u>	<u>139,515</u>	<u>11,906,485</u>
34,816	145,083	-	12,168	8,319	631,102
-	13,408	-	1,078	737	58,231
222,796	3,885,849	1,847	191,052	130,444	11,232,897
<u>257,612</u>	<u>4,044,340</u>	<u>1,847</u>	<u>204,298</u>	<u>139,500</u>	<u>11,922,230</u>
<u>\$ -</u>	<u>\$ 565</u>	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 15</u>	<u>\$ 3,017</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS FIXED ASSET LISTING

CITY OF ESCANABA, MICHIGAN

GOVERNMENTAL FUNDS FIXED ASSET LISTING
SCHEDULE OF CHANGES IN FIXED ASSETS

For the year ended June 30, 2006

	Balance 06/30/05	Additions	Retirements and other Deductions	Balance 06/30/06
LAND AND IMPROVEMENTS:				
Land	\$ 507,937	\$ 118,722	\$ 41,504	\$ 585,155
Farmer's Market	5,734	-	-	5,734
Mulching/Composting	12,418	-	-	12,418
Advertising Signs	9,674	-	-	9,674
Bike Paths	612,865	-	-	612,865
North Shore Boat Launch	1,605,812	6,899	-	1,612,711
Marina/Harbor	997,909	-	-	997,909
Ness Field Improvements	84,885	-	-	84,885
Parks and Playgrounds	239,653	26,569	-	266,222
Waterfront Development	1,400,854	-	-	1,400,854
BUILDINGS:				
Beach House	275,191	-	-	275,191
Historical Building	58,933	37,922	-	96,855
Band Shell	173,345	-	-	173,345
DDA Center Court	217,585	-	-	217,585
Catherine Bonifas Civic Center	845,946	-	-	845,946
Public Safety Building	869,424	-	-	869,424
Webster Park Shelter House	94,594	-	-	94,594
Ludington Park Restroom	124,730	-	-	124,730
Royce Park Shelter	47,041	-	-	47,041
PARKING LOTS:				
1st Avenue North between 12th and 13th streets	17,446	-	-	17,446
West side of North 10th 100 block	1,702	-	-	1,702
Behind Daily Press	13,623	-	-	13,623
West of PSE Credit Union	33,408	-	-	33,408
East of PSE Credit Union	21,564	-	-	21,564
West End of Ludington	200,593	-	-	200,593
Lakestate Parking Lot	48,981	-	-	48,981
1st Avenue South at 8th Street	18,814	-	-	18,814
INDUSTRIAL LAND AND BUILDINGS:				
Inmanco Building - 1608 3rd Avenue North	16,913	-	-	16,913
EQUIPMENT:				
Library	96,333	-	-	96,333
Public Safety Department	974,365	345,133	100,853	1,218,645
Street and Sewer	20,562	-	-	20,562
Parks and Recreation	322,675	-	-	322,675
Band	15,558	-	-	15,558
Stock Room	6,478	-	6,478	-
Downtown Development	18,105	1,547	-	19,652
City Hall	338,555	25,000	-	363,555
OTHER:				
Infrastructure	14,235,305	293,690	129,032	14,399,963
Escanaba Building Authority	7,375,668	18,308	17,394	7,376,582
Motor Vehicle and Equipment Fund	4,641,565	236,426	147,723	4,730,268
Office Equipment Fund	299,333	39,979	40,596	298,716
TOTAL GOVERNMENTAL FUNDS FIXED ASSETS	<u>\$36,902,076</u>	<u>\$ 1,150,195</u>	<u>\$ 483,580</u>	<u>\$37,568,691</u>

See accompanying notes to financial statements.

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members
of the City Council
City of Escanaba
Escanaba, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Escanaba, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City of Escanaba, Michigan's basic financial statements and have issued our report thereon dated October 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Escanaba's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor and Members
of the City Council
City of Escanaba

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Escanaba's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted certain matters that we reported to management of the City of Escanaba, Michigan, in a separate letter dated October 9, 2006.

This report is intended solely for the information and use of the management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.
Certified Public Accountants

October 9, 2006

STATISTICAL AND SUPPLEMENTAL INFORMATION SECTION

CITY OF ESCANABA, MICHIGAN

Table 1
(unaudited)GENERAL GOVERNMENT EXPENDITURES AND OTHER FINANCING USES BY FUNCTION¹

Last Ten Fiscal Years

Fiscal Year Ended June 30.	General Government	Public Safety	Highways and Streets	Sanitation	Health and Welfare	Culture and Recreation	Miscellaneous	Transfers to Other Funds	Total
1997	\$1,045,906	\$2,694,749	\$1,899,937	\$ 627,886	\$ 9,148	\$ 845,313	\$ 34,006	\$ 13,485	\$7,170,430
1998	1,010,397	2,794,075	1,947,804	683,344	9,148	935,269	33,819	14,310	7,428,166
1999	1,061,381	2,911,538	1,721,384	703,428	9,148	1,043,272	34,245	118,498	7,602,894
2000	1,110,212	2,949,850	1,982,377	761,951	9,148	1,103,326	938	31,502	7,949,304
2001	1,188,045	3,112,803	3,090,262	737,605	9,148	1,210,795	1,123	55,564	9,405,345
2002	1,258,077	3,476,223	2,362,603	810,316	9,148	1,222,291	1,719	133,598	9,273,976
2003	1,271,488	3,352,685	1,690,300	779,437	9,148	1,205,011	158	20,408	8,328,635
2004	1,249,423	3,523,272	2,552,218	789,040	9,148	1,158,753	0	31,274	9,313,128
2005	1,259,757	3,916,237	1,769,940	825,609	9,148	1,104,489	0	28,505	8,913,685
2006	1,048,811	3,825,060	1,593,613	800,008	9,148	1,147,526	0	14,186	8,438,352

¹Includes General, Major Street, Local Street, Library and Bezold Funds

GENERAL REVENUES AND OTHER FINANCING SOURCES BY SOURCE¹

Last Ten Fiscal Years

Fiscal Year Ended June 30.	Taxes	Licenses and Permits	Inter-gov- ernmental Revenue	Charges for Services	Fines and Forfeitures	Contributions from Other Funds	Miscellaneous	Total
1997	\$2,800,577	\$ 13,508	\$2,483,922	\$ 576,206	\$ 43,027	\$ 907,000	\$ 292,967	\$ 7,117,207
1998	3,007,015	14,560	2,974,291	519,212	68,145	710,287	393,926	7,687,436
1999	3,137,852	14,153	2,854,459	552,020	69,866	830,165	330,276	7,788,791
2000	3,295,130	16,288	3,249,943	529,159	76,079	780,000	313,628	8,260,227
2001	3,351,111	11,706	3,672,522	641,331	74,396	1,245,781	461,824	9,458,671
2002	3,522,775	1,523	3,507,227	629,821	49,844	905,962	349,053	8,966,205
2003	3,657,846	1,460	2,982,213	607,504	41,677	900,981	342,645	8,534,326
2004	3,725,194	1,217	3,500,054	627,839	56,288	1,194,019	373,582	9,478,193
2005	3,862,055	1,306	3,204,091	673,304	46,536	850,619	236,609	8,874,520
2006	3,945,204	1,612	3,021,994	503,420	50,959	830,983	207,075	8,561,247

¹Includes General, Major Street, Local Street, Library and Bezold Funds.

CITY OF ESCANABA, MICHIGAN

Table 3
(unaudited)

REAL AND PERSONAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1997*	\$2,708,167	\$ 2,686,058	99.18	\$ 11,213	\$ 2,697,271	99.60	\$ 19,917	.74
1998*	2,850,682	2,822,696	99.02	28,067	2,850,763	100.00	43,288	1.52
1999*	2,978,829	2,901,553	97.41	22,018	2,923,571	98.14	30,667	1.03
2000*	3,146,251	3,120,373	99.18	24,040	3,144,413	99.94	28,873	.92
2001*	3,238,742	3,214,745	99.26	34,127	3,248,871	100.31	19,493	.60
2002*	3,403,742	3,376,759	99.21	23,863	3,400,622	99.91	22,634	.66
2003*	3,545,866	3,516,148	99.16	17,683	3,533,831	99.66	35,003	.99
2004*	3,629,103	3,605,702	99.36	18,885	3,624,587	99.88	37,741	1.04
2005*	3,760,903	3,744,006	99.55	28,449	3,772,456	100.31	26,794	.71
2006*	3,883,469	3,869,400	99.64	12,099	3,881,499	99.95	33,434	.86

*Beginning in the fiscal year ended June 30, 1982, Delta County formulated a tax revolving fund, whereby they purchase the uncollected balance of the current real property tax levy, which becomes delinquent on March 1. The County will retain the delinquent collections and interest as they are collected.

CITY OF ESCANABA, MICHIGAN

Table 4
(unaudited)TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY¹

Last Ten Fiscal Years

Fiscal Year Ended June 30.	Real Property		Personal Property		Total		Ratio of Total Taxable Value to Total Estimated Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	
1997 ²	\$144,631,908	\$308,957,526	\$ 18,969,038	\$ 38,086,424	\$163,600,946	\$347,043,950	47.14
1998 ²	154,056,204	335,615,506	18,843,852	37,707,418	172,900,056	373,322,924	46.31
1999 ²	161,614,523	372,253,450	19,690,694	39,540,124	181,305,217	411,793,574	44.03
2000 ²	169,683,171	423,492,984	19,753,218	40,057,550	189,436,389	463,550,534	40.87
2001 ²	176,263,618	446,187,192	18,365,759	36,731,518	194,629,377	482,918,710	40.30
2002 ²	185,685,617	518,521,084	19,126,149	38,252,298	204,811,766	556,773,382	36.79
2003 ²	194,323,465	499,964,674	19,850,412	40,169,886	214,173,877	540,134,560	39.65
2004 ²	202,613,242	509,651,888	16,607,906	33,215,812	219,221,148	542,867,700	40.38
2005 ²	211,764,531	547,814,648	16,384,409	32,768,818	228,148,940	580,583,466	39.30
2006 ²	218,520,278	553,499,468	16,712,115	33,424,230	235,232,393	586,923,698	40.08

Source: City of Escanaba Assessor's Department

¹Taxable values are as of the December 31, prior to the beginning of the fiscal year.

²Beginning with the fiscal year ended 6/30/95, state law was changed to create an additional tax valuation, "taxable" value. Prior to this date, taxable value equaled assessed value. Due to statutory limits on taxable value, they no longer have to be equal. Taxable value is the valuation used to calculate tax bills.

CITY OF ESCANABA, MICHIGAN

Table 5
(unaudited)

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUE)

Last Ten Fiscal Years

Fiscal Year Ended June 30.	City of Escanaba	Delta County	Escanaba Area Public School	Delta- Schoolcraft Intermediate School District	Bay de Noc Community College	Pinecrest Debt	State ED ¹	Total
1997	17.00	6.5983 ¹	1.04	2.5124	3.3735	.45	6.00	36.9742 ²
1998	17.00	6.5983 ¹	1.12	2.5117	3.3735	.45	6.00	37.0535 ³
1999	17.00	6.5983 ¹	1.05	2.5117	3.3735	.45	6.00	36.9835 ³
2000	17.00	6.5607 ¹	1.01	2.4917	3.36	.45	6.00	36.8724 ³
2001	17.00	6.6319 ¹	1.03	2.4807	3.3585	-	6.00	36.5011 ³
2002	17.00	6.6112 ¹	3.06	2.4695	3.3511	-	6.00	38.4918 ³
2003	17.00	6.6097 ¹	3.02	2.4596	3.3506	-	6.00	38.4399 ³
2004	17.00	6.5719 ¹	3.11	2.4375	3.5000	-	5.00	37.6194 ³
2005	17.00	6.5458 ¹	3.08	2.4191	3.5000	-	6.00	38.5449 ³
2006	17.00	7.1104 ²	3.08	2.3994	3.5501	-	6.00	39.1399 ³

Source: City of Escanaba Assessor's Department

¹Beginning in the fiscal year ended 6/30/92, Delta County's tax rate includes extra millage for Sheriff's Patrol and Community Action Agency. For the fiscal year ended 6/30/06, these amounts were .8775 and .5850, respectively.

²Beginning in the fiscal year ended 6/30/06, extra voted millage for the Delta County Central Dispatch Authority was included in Delta County's tax rate. The amount for fiscal year ended 6/30/06 was .6000.

³The amounts for fiscal years ended 6/30/95 and later reflect the tax rate for owner occupied residential property. Other property types would see tax rates of up to 18 mills higher.

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2006

2006 Taxable Valuation (as of December 31, 2005)		<u>\$248,122,513</u>
Debt limit - 10 percent of assessed value ¹		\$ 24,812,251
Amount of outstanding debt	\$ 7,967,003	
Less: Revenue bonds ^{2-d}	(4,217,000)	
Non-Bonded Debt	(190,003)	
Bonds issued to Abate Pollution ^{2-f}	<u>-</u>	
	<u>\$ 3,560,000</u>	<u>3,560,000</u>
LEGAL DEBT MARGIN		<u>\$ 21,252,251</u>

¹Act 279, Public Acts of Michigan, 1909, as amended, provides that the net indebtedness of the City shall not exceed 10 percent of all assessed real and personal property in the City.

²Bonds which are not included in the compilation of legal debt margin according to Act 279, Public Acts of Michigan, 1909, are:

- a. Special Assessments Bonds
- b. Mortgage Bonds
- c. Motor Vehicle Highway Funds Bonds
- d. Revenue Bonds
- e. Bonds issued, or contracts or assessments obligations, incurred to comply with an order of the Water Resources Commission or a Court of Competent Jurisdiction
- f. Other obligations incurred for water supply, sewage, drainage or refuse, disposal projects necessary to protect the public health by abating pollution

CITY OF ESCANABA, MICHIGAN

Table 7
(unaudited)

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2006

<u>Jurisdiction</u>	<u>Net Bonded Debt Outstanding</u>	<u>Percentage Applicable to the City of Escanaba</u>	<u>Amount Applicable to the City of Escanaba</u>
City of Escanaba ¹	\$ 3,560,000	100.00%	\$ 3,560,000
Escanaba Area Public Schools	19,130,000	43.11%	8,246,166
Delta-Schoolcraft Intermediate School District	-	18.87%	-
Bay de Noc Community College ²	5,950,000	24.63%	1,465,268
Delta County ³	<u>9,640,000</u>	24.63%	<u>2,373,980</u>
TOTALS	<u>\$ 38,280,000</u>		<u>\$ 15,645,414</u>

Source: City of Escanaba Assessor's Department

¹Net bonded debt outstanding includes only bonded debt to be repaid with property tax proceeds. Not included for purposes of this schedule is any debt: (a) to be repaid out of Utility Fund proceeds or (b) non-bonded debt.

²Net bonded debt outstanding does not include outstanding revenue bonds, used for the construction of the College's dormitories, as this debt is to be repaid with rental payments.

³Net bonded debt does not include general obligation limited tax notes, to be repaid with delinquent property tax collections nor does it include any notes payable, secured by airport property.

WATER UTILITY BONDS
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Income	Depre- ciation	Interest on Bonds	Income Available for Bond and Interest Redemption	Debt Service Requirements			
					Principal	Interest	Total	Coverage
1997	\$ (10,893)	\$ 164,289	\$ 6,250	\$ 159,646	\$ 100,000	\$ 6,250	\$ 106,250	1.50
1998	49,183	160,659	1,250	211,092	100,000	1,250	101,250	2.08
1999	(31,400)	182,155	-	150,755	-	-	-	n/a
2000	(38,860)	186,192	-	147,332	-	-	-	n/a
2001	(43,563)	202,305	-	158,742	-	-	-	n/a
2002	(58,514)	212,305	-	153,791	-	-	-	n/a
2003	(4,677)	192,696	22,275	210,924	-	22,275	22,275	9.47
2004	(20,042)	208,464	59,311	247,733	-	59,311	59,311	4.18
2005	(96,307)	246,059	69,419	219,171	110,000	69,419	179,419	1.22
2006	(25,033)	245,179	63,937	284,083	110,000	69,937	173,937	1.63

CITY OF ESCANABA, MICHIGAN

Table 9
(unaudited)WASTE WATER UTILITY BONDS
ANALYSIS OF INCOME AVAILABLE FOR DEBT RETIREMENT

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Income	Depre- ciation	Interest and Fees on DPW ¹ Bonds	Interest on Revenue Bonds ²	Income Available for Bond and Interest Redemption	Debt Service Requirements			
						Principal	Interest and Fees	Total	Coverage
1997	\$ 144,957	\$ 176,699	\$ 1,500	\$ 36,588	\$ 359,744	\$ 160,000	\$ 38,088	\$ 198,088	1.82
1998	302,260	181,542	-	28,750	512,552	160,000	28,750	188,750	2.72
1999	165,744	186,022	-	25,740	377,506	60,000	25,740	85,740	4.40
2000	109,017	217,652	-	45,447	372,116	100,000	45,447	145,447	2.56
2001	38,661	231,876	-	40,221	310,758	104,338	40,221	144,559	2.15
2002	(26,028)	205,555	-	38,025	217,552	105,000	38,025	143,025	1.52
2003	39,205	206,763	-	35,825	281,793	105,000	35,825	140,825	2.00
2004	(93,038)	201,739	-	33,466	142,167	115,000	33,466	148,466	.96
2005	(85,363)	200,214	-	31,053	145,904	115,000	31,053	146,053	1.00
2006	(5,676)	202,662	-	28,641	225,627	115,000	28,641	143,641	1.57

¹These bonds were issued by the Delta County Board of Public works, under the provisions of Act 185, Public Acts of Michigan, 1975. Under terms of a contract dated September 3, 1970, the City of Escanaba is obligated to make payments to Delta County in an amount sufficient to cover annual bond principal maturities and semi-annual interest payments.

²These bonds include 1982 Revenue Bonds and 1994 DNR/MMBA Bonds.

CITY OF ESCANABA, MICHIGAN

Table 10
(unaudited)ELECTRIC UTILITY
COMPARATIVE STATISTICAL INFORMATION

For the Years Ended June 30, 2006 and 2005

	Year Ended June 30,		Year Ended June 30,	
	2006	2005	2006	2005
	Number of KWH		Per KWH	
OPERATING REVENUES:				
Residential sales	35,220,399	34,256,889	.086469	.074415
Hot water sales	417,464	476,898	.080642	.066675
Electric heat	401,268	450,044	.075278	.064455
Commercial sales	50,919,191	49,735,766	.080435	.068084
Industrial sales	63,305,362	63,011,135	.068806	.054149
Municipal	6,540,967	6,706,091	.077325	.063130
Dusk to Dawn	568,311	564,846	.082161	.082227
Street lighting	2,011,998	2,004,502	.068239	.056275
Dispatching	7,078,251	12,412,060	.208139	.147736
TOTAL OPERATING REVENUES	<u>166,463,211</u>	<u>169,618,231</u>	<u>.082443</u>	<u>.070528</u>
OPERATING EXPENSES:				
Production	171,543,169	175,531,742	.080422	.066070
Transmission/Distribution/Services			.002168	.001821
Administration/General			.004545	.005833
Provision for depreciation			.005832	.005451
Taxes paid to General Fund			.000000	.000000
General Fund Administration and Collection			.002573	.003039
Unaccounted for	(5,079,958)	(5,913,511)	.002916	.002866
TOTAL OPERATING EXPENSES	<u>166,463,211</u>	<u>169,618,231</u>	<u>.098456</u>	<u>.085080</u>
Operating income			(.016013)	(.014552)
Miscellaneous income			.001329	.005451
Interest earnings			.002983	.004614
TOTAL OPERATING AND OTHER INCOME			(.011701)	(.004487)
Contributions to Other Funds			.002785	.003063
NET INCOME			<u>(.014486)</u>	<u>(.007550)</u>

	Year Ended June 30,	
	2006	2005
TOTAL NUMBER OF SERVICES:		
Residential	5,986	5,981
Hot Water	190	207
Heating	33	34
Commercial	1,051	1,051
Industrial	24	21
Municipal	95	93
AVERAGE KILOWATTS PER SERVICE:		
Residential	5.884	5.728
Hot Water	2.197	2.304
Heating	12.160	13.237
Commercial	48.448	47.322
Industrial	2,637,723	3,000,530
Municipal	68,852	72,109
AVERAGE REVENUE PER SERVICE:		
Residential	\$ 509	\$ 426
Hot Water	\$ 177	\$ 154
Heating	\$ 915	\$ 853
Commercial	\$ 3,897	\$ 3,222
Industrial	\$ 181,491	\$ 162,476
Municipal	\$ 5,324	\$ 4,552

CITY OF ESCANABA, MICHIGAN

Table 11
(unaudited)

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30.</u>	<u>Population¹</u>	<u>Per Capita Income¹</u>	<u>K-12 School Enrollment²</u>	<u>Unemployment Rate³</u>
1997	13,556 (estimate)	Not available	3,852	7.5
1998	13,280 (estimate)	Not available	3,787	6.5
1999	13,280 (estimate)	Not available	3,660	6.4
2000	13,140	\$17,589	3,522	6.2
2001	12,971 (estimate)	Not available	3,390	7.3
2002	12,843 (estimate)	Not available	3,329	7.7
2003	12,781 (estimate)	Not available	3,239	8.9
2004	12,730 (estimate)	Not available	3,102	7.6
2005	12,679 (estimate)	Not available	3,013	7.0
2006	Not available	Not available	2,960	6.9

Sources:

¹Bureau of Census and U.S. Department of Commerce.

²Escanaba Area Public Schools (Note: enrollments include students from outside the City of Escanaba)

³Michigan Employment Security Agency (Note: includes total Delta County area; figures on a calendar year basis, except 2006, which is through October, 2006)

CITY OF ESCANABA, MICHIGAN

Table 12
(unaudited)

PRINCIPAL TAXPAYERS

Fiscal Year Ended June 30, 2007¹

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Rubloff Delta LLC	Shopping Center	\$4,457,041	1.80
Wal-Mart	Retail Sales	3,652,824	1.47
Dagenais Real Estate Inc.	Commercial Real Estate	3,643,433	1.47
UP Enterprises LLC	Commercial Real Estate	3,293,075	1.33
Spirit SPE Port 2006-2 LLC	Retail Sales	2,047,858	0.83
Northland Centers	Retail Sales	2,042,269	0.82
Univ Prop & Flood	Motel	1,877,745	0.76
Elmer's County Market	Food Sales	1,769,987	0.71
Wells Fargo	Banking	1,633,900	0.66
Sunrize Inc.	Motel	1,581,620	0.64

Source: City of Escanaba Assessor's Department

Note: This table does not include I.F.T. certificates.

¹Valuation as of 12/31/05 becomes the "2006 Taxable Valuation." This value is used to compute City property taxes for July 2006, which finances City operations through the fiscal year ended June 30, 2007.

MISCELLANEOUS STATISTICS

June 30, 2006

Date of incorporation	1883
Form of government - since 1922	Council-Manager
Area	12.81 square miles
Miles of streets	83.01 miles
Miles of paved roads	79.04 miles
PUBLIC SAFETY - JOINT POLICE/FIRE PROTECTION	
Number of stations	1
Number of public safety officers	35
ELECTRIC DEPARTMENT	
Capacity	41.0 megawatts
Peak use during fiscal year	31.8 megawatts
WATER DEPARTMENT	
Number of accounts	5,750
Average daily consumption	1,300,000 gallons/day
Pumping capacity	7,500,000 gallons/day
Storage capacity	2,000,000 gallons
Design capacity	8,000,000 gallons/day
Miles of water mains	76.59 miles
WASTEWATER DEPARTMENT	
Average daily treatment	1,800,000 gallons/day
Design capacity	2,200,000 gallons/day
Treatment	Activated sludge process
Miles of sanitary sewer	77.33 miles
Miles of storm sewers	48.61 miles
CULTURE AND RECREATION	
Public Library:	
Volumes	70,653
2005-06 circulation	126,378
Number of registered users	12,200
Parks and recreation areas	504.5 acres
Recreation buildings	1
Outdoor skating rinks - natural ice	2
Softball/baseball fields	8
Outdoor band shell	1
Basketball courts - indoor and outdoor	4
Tennis courts	9
Marina	165 berths
Public boat launches	2

CITY OF ESCANABA, MICHIGAN

Table 14
(unaudited)

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

As of June 30.	Population ¹	Taxable Value ²	Gross Bonded Debt ³	Less Debt Payable from Enterprise Funds ⁴	Net Bonded Debt	Net Bonded Debt to Taxable Value	Net Bonded Debt per Capita
1997	13,556 (est)	\$163,600,946	\$ 5,769,199	\$ 1,405,000	\$ 4,364,199	2.67%	321.94
1998	13,280 (est)	172,900,056	5,563,894	1,253,000	4,310,894	2.49%	324.62
1999	13,280 (est)	181,305,217	6,180,629	1,983,629	4,197,000	2.31%	316.04
2000	13,140	189,436,389	6,770,338	2,058,338	4,712,000	2.49%	358.60
2001	12,971 (est)	194,629,377	7,091,500	1,942,000	5,149,500	2.65%	397.00
2002	12,843 (est)	204,811,766	6,816,540	1,825,000	4,991,540	2.44%	388.66
2003	12,781 (est)	214,173,877	8,813,732	3,954,354	4,859,378	2.27%	380.20
2004	12,730 (est)	219,221,148	8,888,503	4,331,000	4,557,503	2.08%	358.01
2005	12,679 (est)	228,148,940	8,417,753	4,094,000	4,323,753	1.90%	341.02
2005	12,679 (est)	235,232,393	7,967,003	3,845,000	4,122,003	1.75%	325.10

Sources:

¹Bureau of Census, U.S. Department of Commerce. Where actual or estimate not available, previous available population utilized.

²From Table 4

³Does not include non-bonded debt secured on equipment

⁴Includes 1993 MMBA State RLF Wastewater Utility Bonds and DDA Revenue Bond.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Honorable Mayor, Members of the City Council,
and City Manager
City of Escanaba, Michigan

We have audited the financial statements of the City of Escanaba for the year ended June 30, 2006, and have issued our reports thereon dated October 9, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U. S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered the City of Escanaba's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City of Escanaba's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

As part of our audit, we considered the internal control structure of the City of Escanaba. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Honorable Mayor, Members of the City Council,
and City Manager
City of Escanaba, Michigan

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the City of Escanaba are described in Note 1 of the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the fiscal year. We noted no transactions entered into by the City of Escanaba during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates would involve the useful lives of fixed assets and the market values of investments. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of Escanaba or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Honorable Mayor, Members of the City Council,
and City Manager
City of Escanaba, Michigan

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In planning and performing our audit of the financial statements of the City of Escanaba, Michigan, for the year ended June 30, 2006, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 9, 2006, on the financial statements of the City of Escanaba.

We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the City Council, the management of the City of Escanaba and applicable State and Federal grantor agencies and is not intended to be and should not be used by anyone other than these specified parties:

Anderson, Tackman & Company P.L.C.

Certified Public Accountants

October 9, 2006

CITY OF ESCANABA, MICHIGAN
COMMENTS AND RECOMMENDATIONS

June 30, 2006

BUDGET NONCOMPLIANCE

A. During the year the City has not complied with certain provisions of the Michigan Uniform Budgeting and Accounting Act. Items of noncompliance are as follows:

The following functions in the General Fund were overspent:

Parks	\$ 2,398
Band	1,066
Crosswalks	1,564

The following Special Revenue Funds had an excess of expenditures over appropriations:

Sanitary Landfill Fund	\$ 1,486
Housing Rehab Fund	392

B. The Dental Internal Service Fund had a \$4,411 net asset deficit as of the year end. As required by state law the City must file a deficit reduction plan with the state.

We recommend that the City continue to monitor the budget to comply completely with the Michigan Uniform Budgeting and Accounting Act.

OUTSTANDING CHECKS

The Wells Fargo general checking and the First Bank investment account have several old outstanding checks. Some of these checks date back as far as 1997. We recommend that these checks be investigated and escheated to the state, if appropriate.

UPSET FUNDS

The City operates as a depository for UPSET forfeiture funds. There is little, if any, ability for the City to determine the accuracy of funds received. There is also very little City control over the expenditure of these funds. We recommend that the need of the City's involvement be researched, and that these funds be turned over to UPSET's control, if appropriate.

ACCOUNTS RECEIVABLE

During our audit we noted several receivables that are quite delinquent. We recommend that these delinquent receivables be reviewed to determine collectability. If they are not collectable we recommend that the City write the receivable off so as to more clearly define the total receivable balance.